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新華人壽保險股份有限公司

NEW CHINA LIFE INSURANCE COMPANY LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 01336)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

The Board of Directors of New China Life Insurance Company Ltd. (the “**Company**”) hereby announces the unaudited results of the Company and its subsidiaries for the six months ended 30 June 2018. This announcement, containing the full text of the Interim Report 2018 of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) in relation to information to accompany preliminary announcements of interim results.

Both the Chinese and English versions of this results announcement are available on the websites of the Company (www.newchinalife.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). Printed version of the Company's Interim Report 2018 will be delivered to the holders of H share of the Company and available for viewing on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and of the Company (www.newchinalife.com) in early September 2018.

By Order of the Board
New China Life Insurance Company Ltd.
WAN Feng
Chairman

Beijing, China, 28 August 2018

As at the date of this announcement, the executive directors of the Company are WAN Feng and LI Zongjian; the non-executive directors are LIU Xiangdong, XIONG Lianhua, YANG Yi, WU Kunzong, HU Aimin, DACEY John Robert and PENG Yulong; and the independent non-executive directors are LI Xianglu, ZHENG Wei, CHENG Lie, NEOH Anthony Francis and GENG Jianxin.

IMPORTANT INFORMATION

1. The board of directors, the board of supervisors and the directors, supervisors, and members of senior management of the Company warrant the correctness, accuracy and completeness of the contents of this report, and that there is no false representation, misleading statement or material omission in this report, and are legally liable for this report jointly and severally.
2. The Interim Report 2018 of the Company was considered and approved at the twenty-fifth meeting of the sixth session of the board of directors of the Company on 28 August 2018, which 14 directors were required to attend and 14 of them attended in person.
3. The 2018 condensed consolidated interim financial information of the Company is unaudited.
4. Mr. WAN Feng, the Chairman of the Company, Mr. YANG Zheng, the Chief Financial Officer and the person in charge of finance of the Company, Mr. GONG Xingfeng, the Chief Actuary of the Company and Mr. ZHANG Tao, the officer in charge of the Accounting Department of the Company warrant the truthfulness, accuracy and completeness of the condensed consolidated interim financial information in the Interim Report 2018.
5. In addition to the facts stated herein, this report includes forward-looking statements and analysis, which may differ from the actual results of the Company in the future. The Company does not make any warrant or undertaking upon its future performance. Investors are advised to exercise caution.
6. There is no non-operating usage of funds by the controlling shareholder or its related parties for the Company.
7. There is no external guarantee which violates the decision-making procedure of the Company.



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SECTION 1

DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

the Company, New China Life, NCI	The general term of New China Life Insurance Company Ltd., its subsidiaries and its consolidated structured entities
Asset Management Company	New China Asset Management Co., Ltd., a subsidiary of the Company
Asset Management Company (Hong Kong)	New China Asset Management (Hong Kong) Limited, a subsidiary of the Asset Management Company
Huijin	Central Huijin Investment Ltd.
China Baowu	China Baowu Steel Group Corporation Limited
NSSF	National Council for Social Security Fund of the P.R.C.
CBIRC	China Banking and Insurance Regulatory Commission
CIRC	The former China Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
Hong Kong Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited
RMB	Renminbi
pt	Percentage point(s)
P.R.C., China	People's Republic of China, for the purpose of this report only, excluding Hong Kong, Macau and Taiwan
Company Law	Company Law of the People's Republic of China
Insurance Law	Insurance Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China
P.R.C. GAAP	China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the P.R.C., and its application guide, interpretation and other related regulations issued thereafter
IFRS	International Financial Reporting Standards as promulgated by the International Accounting Standards Board
Articles of Association	The Articles of Association of New China Life Insurance Company Ltd., which was approved by the CBIRC and took effect on 29 June 2018
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code for Securities Transactions	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
Corporate Governance Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

SECTION 2

CORPORATE INFORMATION

Legal Name in Chinese: 新華人壽保險股份有限公司

Abbreviation in Chinese: 新華保險

Legal Name in English: NEW CHINA LIFE INSURANCE COMPANY LTD.

Abbreviation in English: NCI

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Board Secretary/Joint Company Secretary: GONG Xingfeng
Securities Representative: XU Xiu

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Joint Company Secretary: LEE Kwok Fai Kenneth

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Email: kenneth.lee@tmf-group.com

Address: 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

Registered Office: No. 1, East Hunan Road, Yanqing District, Beijing, P.R.C.

Postal Code: 102100

Place of Business: NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, P.R.C.

Postal Code: 100022

Place of Business in Hong Kong: 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

Website: <http://www.newchinalife.com>

Tel: 86-10-85210000

Email: ir@newchinalife.com

Customer Service and Complaint Tel: 95567

Newspapers for Information Disclosure (A Share): China Securities Journal, Shanghai Securities News

Website for publishing interim reports (A Share): <http://www.sse.com.cn>

Website for publishing interim reports (H Share): <http://www.hkexnews.hk>

Place where copies of interim reports are kept: Board of Directors Office of the Company

Stock Exchange for A Share Listing: The Shanghai Stock Exchange

Stock Name for A Share: 新華保險

Stock Code for A Share: 601336

A Share Registrar: China Securities Depository and Clearing Corporation Limited, Shanghai Branch

Address: 36th Floor, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai, P.R.C.

Stock Exchange for H Share Listing: The Stock Exchange of Hong Kong Limited

Stock Name for H Share: NCI

Stock Code for H Share: 01336

H Share Registrar: Computershare Hong Kong Investor Services Limited

Address: Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Domestic Auditor: Ernst & Young Hua Ming LLP

Address: Level 16, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing, P.R.C.

Signing Certified Public Accountants: Guo Hangxiang and Yu Yinyin

International Auditor: Ernst & Young

Address: 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

Domestic Legal Advisor: Commerce & Finance Law Offices

Address: 6th Floor, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, P.R.C.

Hong Kong Legal Advisor: Freshfields Bruckhaus Deringer

Address: 55th Floor, One Island East Taikoo Place, Quarry Bay, Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL ANALYSIS

I. Key accounting data and financial indicators

(1) Key Accounting Data

Unit: RMB million

For the six months ended 30 June	2018	2017	Increase/ decrease over the corresponding period of last year
Total revenues	82,967	76,263	8.8%
Gross written premiums and policy fees	67,902	61,273	10.8%
Profit before income tax	7,748	4,879	58.8%
Net profit attributable to shareholders of the Company	5,799	3,237	79.1%
Net cash flows from operating activities	4,135	(4,207)	N/A

Unit: RMB million

	As at 30 June 2018	As at 31 December 2017	Increase/decrease as compared to the end of last year
Total assets	755,675	710,275	6.4%
Total liabilities	689,888	646,552	6.7%
Equity attributable to shareholders of the Company	65,778	63,715	3.2%

(2) Key Financial Indicators

For the six months ended 30 June	2018	2017	Increase/ decrease over the corresponding period of last year
Basic weighted average earnings per share attributable to shareholders of the Company (RMB)	1.86	1.04	78.8%
Diluted weighted average earnings per share attributable to shareholders of the Company (RMB)	1.86	1.04	78.8%
Weighted average return on equity attributable to shareholders of the Company (%)	8.85%	5.29%	3.56pt
Weighted average net cash flows from operating activities per share (RMB)	1.33	(1.35)	N/A

	As at 30 June 2018	As at 31 December 2017	Increase/decrease as compared to the end of last year
Net assets per share attributable to shareholders of the Company (RMB/share)	21.08	20.42	3.2%

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MANAGEMENT DISCUSSION AND ANALYSIS

2. Other key financial and regulatory indicators

Unit: RMB million

Indicator	For the six months ended 30 June 2018/ As at 30 June 2018	For the six months ended 30 June 2017/ As at 31 December 2017	Change
Investment assets	727,615	688,315	5.7%
Annualized total investment yield	4.8%	4.9%	-0.1pt
Gross written premiums and policy fees	67,902	61,273	10.8%
Growth rate of gross written premiums and policy fees	10.8%	-13.8%	24.6pt
Benefits, claims and expenses	74,779	70,543	6.0%
Surrender rate ⁽¹⁾	4.0%	3.7%	0.3pt

Note:

1. Surrender rate = Surrenders/(Balance of life insurance and long-term health insurance contract liabilities at the beginning of the period + Premium income of long-term insurance contracts)

3. The discrepancy between the P.R.C. GAAP and IFRS

There is no difference between the consolidated net profit of the Company for the six months ended 30 June 2018 and the consolidated equity of the Company as of 30 June 2018 as stated in the condensed consolidated interim financial information prepared in accordance with the IFRS and the P.R.C. GAAP.

4. The items and reasons of the change beyond 30% in the consolidated financial statements

Unit: RMB million

Balance sheet	As at 30 June 2018	As at 31 December 2017	Change	Reason(s) of change
Financial assets measured at fair value through profit or loss	8,823	6,532	35.1%	The increase of the allocation of corporate bond
Term deposits	56,890	41,809	36.1%	The increase of allocation of term deposit due to the increase of agreement deposit rate
Premiums receivables	4,013	2,338	71.6%	Uneven distribution of insurance business among quarters and accumulative increase of insurance business
Deferred tax assets	1,041	36	2,791.7%	The increase of deductible temporary differences
Other assets	3,607	2,302	56.7%	Increase of prepaid housing payment
Cash and cash equivalents	37,146	8,812	321.5%	The requirement of liquidity management
Unearned premiums liabilities	2,062	1,280	61.1%	Increase in short-term insurance business and uneven distribution among quarters
Financial assets sold under agreements to repurchase	48,187	19,925	141.8%	The allocation of investment assets and the requirement of liquidity management
Premiums received in advance	200	1,941	-89.7%	The influence of different business development pace
Other Liabilities	10,122	6,624	52.8%	The provision for cash dividend resolved and the increase in brokerage and commission expenses

Income statement	For the six months ended 30 June 2018	For the six months ended 30 June 2017	Change	Reason(s) of change
Premiums ceded out	(876)	(636)	37.7%	Increase of business ceded out
Net change in unearned premiums liabilities	(709)	(454)	56.2%	Increase of short-term insurance business
Claims and net change in outstanding claims liabilities	(1,093)	(696)	57.0%	Increase of short-term business
Increase in long-term insurance contract liabilities	(11,960)	(8,610)	38.9%	Increase of liabilities from long-term health insurance business
Finance costs	(661)	(959)	-31.1%	The redemption of some subordinated debt in the second half of 2017
Total other comprehensive income for the period, net of tax	(2,104)	824	N/A	The decrease in the fair value of available-for-sale financial assets due to the downward trend in the capital market

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MANAGEMENT DISCUSSION AND ANALYSIS

II. BUSINESS ANALYSIS

1. Insurance Business

In the first half of 2018, the Company adhered to the principle of “making steady progress” and focused on the development of core business. Particularly in the second quarter of 2018, the Company accelerated the development of protection business with its core on health insurance, continued to optimize business structure, improved business quality and consolidated the first-mover advantages of transformation.

First, the gross written premiums (GWP) realized positive growth. In the first half of 2018, the Company realized GWP of RMB67,870 million, increasing by 10.8% year on year. The first year regular premiums amounted to RMB11,217 million, decreasing by 32.6% year on year. The value of first half year’s new business was RMB6,451 million, down by 8.9% year on year. The embedded value was RMB165,601 million, increasing by 7.9% compared with the end of last year. And the residual margin⁽¹⁾ was RMB184,168 million, increasing by 8.1% compared with the end of last year.

Second, business structure kept optimizing. In the first half of 2018, the renewal premiums for the Company reached RMB53,748 million, increasing by 27.6% year on year. The proportion of renewal premiums in GWP reached 79.2%, growing by 10.4pt compared with the same period of last year. In the first half of 2018, the Company fully focused on protection business with its priority on long-term regular business, so the first year premiums (FYP) from regular premium products with payment periods of ten years or more accounted for 63.1% of first year regular premiums, and the first year premiums from health insurance products accounted for 55.5% of first year premiums, increasing by 19.1pt year on year.

Third, business quality was improving. In the first half of 2018, the Company strengthened management and deepened product transformation. The 13-month persistency ratio and 25-month persistency ratio in individual life insurance business were 90.7% and 84.7% respectively, up by 1.5pt and 2.4pt year on year respectively. Because the surrender of short and medium term insurance products sold in 2016 in bancassurance channel peaked this year, the first half of 2018 has also seen the surrender rate of 4.0%, up by 0.3pt year on year.

Unit: RMB million

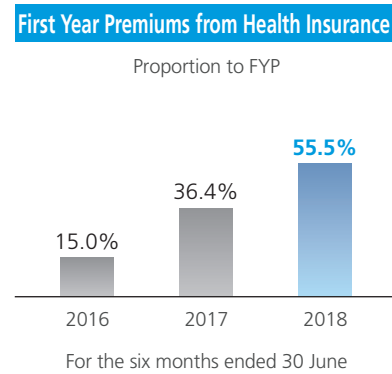
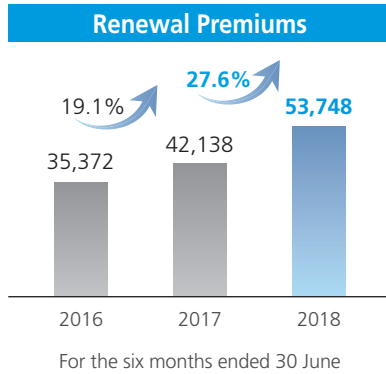
For the six months ended 30 June	2018	2017	Change
GWP	67,870	61,239	10.8%
First year premiums	14,122	19,101	-26.1%
First year regular premiums	11,217	16,654	-32.6%
Regular premiums with payment periods of ten years or more	7,074	10,827	-34.7%
Renewal premiums	53,748	42,138	27.6%

Note:

- The residual margin is the liabilities appropriated by the Company for not being recognized as “Day-one” gain at the inception of the contracts, and will be amortized over the life of the contracts.

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MANAGEMENT DISCUSSION AND ANALYSIS



1. Analysis by distribution channels

Unit: RMB million

For the six months ended 30 June	2018	2017	Change
Individual insurance channel	54,139	48,265	12.2%
First year premiums	9,966	13,711	-27.3%
First year regular premiums	8,308	12,537	-33.7%
Regular premiums with payment periods of ten years or more	6,438	10,678	-39.7%
Single premiums	1,658	1,174	41.2%
Renewal premiums	44,173	34,554	27.8%
Bancassurance channel	12,445	11,706	6.3%
First year premiums	2,886	4,146	-30.4%
First year regular premiums	2,862	4,114	-30.4%
Regular premiums with payment periods of ten years or more	636	148	329.7%
Single premiums	24	31	-22.6%
Renewal premiums	9,559	7,561	26.4%
Group insurance	1,286	1,268	1.4%
Total	67,870	61,239	10.8%

Note: Numbers may not be additive due to rounding.

SECTION 3

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Individual life insurance business

① Individual insurance channel

In the first half of 2018, the individual insurance channel focused on the development of protection business, in particular the special promotion activities of health insurance products in the second quarter, while strengthening the management of renewal business. The individual insurance channel achieved premiums of RMB54,139 million, increasing by 12.2% year on year. The first year regular premiums amounted to RMB8,308 million, down by 33.7% year on year. The first year premiums from regular premium products with payment periods of ten years or more amounted to RMB6,438 million, decreasing by 39.7% year on year. The renewal premiums reached RMB44,173 million, growing by 27.8% year on year.

In the first half of 2018, centering on the development logic that premium equals the number of total agents multiplied by performance rate multiplied by policies per capita multiplied by premiums per policy, individual insurance channel leveraged on promotion activities such as “Bring Health Insurance into Households”, to improve the sales capacity. As at 30 June 2018, the number of total agents in individual insurance channel has reached 334,000, increasing by 0.3% year on year. The monthly average number of performing agents⁽¹⁾ was 171,000, up by 2.6% year on year and the monthly performance rate⁽²⁾ was 53.6%, increasing by 0.5pt year on year. The monthly average comprehensive productivity per capita⁽³⁾ was RMB5,187, decreasing by 26.2% year on year.

Notes:

1. Monthly average number of performing agents = (Σ number of performing agents in a month)/the number of months in the reporting period, where monthly number of performing agents refers to the number of agents who have issued one insurance policy or more (including card-type accident insurance policy) which are not cancelled by policy holders in a month and whose first year commission in the month exceeds zero.
2. Monthly performance rate = monthly average number of performing agents/monthly average number of agents*100%. Monthly average number of agents= $[\Sigma [(number\ of\ agents\ at\ start\ of\ the\ month + number\ of\ agents\ at\ end\ of\ the\ month)/2]]/the\ number\ of\ months\ in\ the\ reporting\ period$.
3. Monthly average comprehensive productivity per capita = monthly average first year premiums/monthly average number of agents.

② Bancassurance channel

In the first half of 2018, bancassurance channel constantly enriched product pipelines and deepened transformation and development. Bancassurance channel realized premiums of RMB12,445 million, increasing by 6.3% year on year. The first year regular premiums amounted to RMB2,862 million, decreasing by 30.4% year on year. The first year premiums from regular premium products with payment periods of ten years or more reached RMB636 million, rising by 329.7% year on year and renewal premiums amounted to RMB9,559 million, increasing by 26.4% year on year. The first year regular premiums from wealth management channel amounted to RMB729 million.

(2) Group insurance business

In the first half of 2018, the Company continued to develop profitable business and realized group insurance premiums of RMB1,286 million, increasing by 1.4% year on year. In the first half of 2018, the Company continued to help improve people's livelihoods and advanced policy-oriented health insurance with premiums from related health insurance amounting to RMB60 million and covering 1,677 thousand customers.

2. Analysis by types of insurance products

Unit: RMB million

For the six months ended 30 June	2018	2017	Change
GWP	67,870	61,239	10.8%
Traditional insurance	16,076	14,681	9.5%
First year premiums	2,634	5,069	-48.0%
Renewal premiums	13,442	9,612	39.8%
Participating insurance⁽¹⁾	28,543	29,162	-2.1%
First year premiums	2,741	6,372	-57.0%
Renewal premiums	25,802	22,790	13.2%
Universal insurance⁽¹⁾	19	19	0.0%
First year premiums ⁽²⁾	—	—	—
Renewal premiums	19	19	0.0%
Unit-linked insurance⁽²⁾	—	—	—
First year premiums ⁽²⁾	—	—	—
Renewal premiums ⁽²⁾	—	—	—
Health insurance	22,229	16,602	33.9%
First year premiums	7,844	6,951	12.8%
Renewal premiums	14,385	9,651	49.1%
Accident insurance	1,003	775	29.4%
First year premiums	903	709	27.4%
Renewal premiums	100	66	51.5%

Notes:

- Participating health insurance is included in the participating insurance. Universal health insurance is included in the universal insurance.
- The amount for each period indicated was less than RMB500,000.

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MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2018, the Company continued to focus on the development of protection business and achieved first year premiums of RMB7,844 million from health insurance, rising by 12.8% year on year. The first year premiums from accident insurance were RMB903 million, growing by 27.4% year on year. First year premiums from health insurance and accident insurance accounted for 61.9% of first year premiums, growing by 21.8pt year on year.

3. Analysis by branches

Unit: RMB million

For the six months ended 30 June	2018	2017	Change
GWP	67,870	61,239	10.8%
Shandong Branch	6,556	5,653	16.0%
Henan Branch	5,561	4,804	15.8%
Beijing Branch	5,334	5,284	0.9%
Guangdong Branch	4,282	4,479	-4.4%
Hubei Branch	3,393	3,087	9.9%
Zhejiang Branch	3,342	2,858	16.9%
Shaanxi Branch	3,336	2,840	17.5%
Jiangsu Branch	3,053	2,685	13.7%
Inner Mongolia Branch	2,957	2,639	12.1%
Hunan Branch	2,496	2,230	11.9%
Other Branches	27,560	24,680	11.7%

In the first half of 2018, approximately 59.4% of the GWP of the Company were derived from ten branches in densely populated areas or economically developed regions such as Shandong, Henan and Beijing.

4. Business quality and market share

For the six months ended 30 June	2018	2017	Change
Market share ⁽¹⁾	4.2%	3.4%	0.8pt
Persistency ratio			
Individual life insurance business			
13-month persistency ratio ⁽²⁾	90.7%	89.2%	1.5pt
Individual life insurance business			
25-month persistency ratio ⁽³⁾	84.7%	82.3%	2.4pt

Notes:

1. Market share is derived from the data published by the CBIRC.
2. 13-month persistency ratio = premiums under in-force regular premium life insurance policies 13 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the issuance.
3. 25-month persistency ratio = premiums under in-force regular premium life insurance policies 25 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the issuance.

SECTION 3

MANAGEMENT DISCUSSION AND ANALYSIS

5. Analysis on claim and the interests of policyholders

Unit: RMB million

For the six months ended 30 June	2018	2017	Change
Surrender value	25,756	22,119	16.4%
Insurance benefits and claims	22,445	23,427	-4.2%
Claims	1,106	742	49.1%
Annuity benefits	5,424	5,260	3.1%
Maturity and survival benefits	13,508	15,528	-13.0%
Casualty and medical benefits	2,407	1,897	26.9%
Claims recoverable	(314)	(288)	9.0%
Policy dividend	35	–	100.0%
Net change in insurance contract liabilities	12,032	8,661	38.9%
Total	59,954	53,919	11.2%

The surrender value increased by 16.4% year on year due to the peak of the surrender of short and medium term insurance products sold in 2016 in bancassurance channel this year.

The claim payment increased by 49.1% year on year due to the steady rise of the accident insurance and short-term health insurance business.

The casualty and medical benefits increased by 26.9% year on year due to the steady rise of the long-term health insurance business.

The net change in insurance contract liabilities increased by 38.9% year on year due to the increase of premiums from long-term health insurance business.

6. Analysis on commission and brokerage expense

Unit: RMB million

For the six months ended 30 June	2018	2017	Change
Commission and brokerage expense⁽¹⁾	8,656	8,794	-1.6%
Participating insurance ⁽²⁾	1,465	2,399	-38.9%
Health insurance	6,264	5,160	21.4%
Traditional insurance	637	1,048	-39.2%
Accident insurance	289	183	57.9%
Universal insurance ⁽²⁾	1	4	-75.0%

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MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. This item does not include the commission and brokerage expense under non-insurance contracts.
2. Participating health insurance is included in the participating insurance. Universal health insurance is included in the universal insurance.

In the first half of 2018, the commission and brokerage expense decreased by 1.6% year on year, due to the decrease of first year regular premiums.

7. Analysis on insurance contract liabilities

Unit: RMB million

Component	As at 30 June 2018	As at 31 December 2017	Change
Unearned premiums liabilities	2,062	1,280	61.1%
Outstanding claims liabilities	897	827	8.5%
Life insurance liabilities	522,901	523,016	0.0%
Long-term health insurance liabilities	58,167	50,154	16.0%
Insurance contract liabilities in total	584,027	575,277	1.5%
Participating insurance ⁽¹⁾	465,739	459,875	1.3%
Health insurance	46,461	38,254	21.5%
Traditional insurance	70,940	76,462	-7.2%
Accident insurance	852	651	30.9%
Universal insurance ⁽¹⁾	35	35	0.0%
Insurance contract liabilities in total	584,027	575,277	1.5%

Note:

1. Participating health insurance is included in the participating insurance. Universal health insurance is included in the universal insurance.

The contract liabilities as at 30 June 2018 increased by 1.5% compared with that of the end of 2017 due to the accumulation of insurance business and liabilities. As at the date of the balance sheet, all types of contract liabilities of the Company have passed the adequacy test.

(II) Asset management business

In the first half of 2018, positive signs emerged in structural adjustments of domestic financial industry though some deep conflicts and problems still existed. Other major economies faced complex situations and more uncertainties in macro policies. Global trade frictions also brought certain external risks. Overall, there are huge challenges in asset management business and great pressures on asset allocation. In face of complex and severe market situations, the Company stuck to prudent and modest investment strategy and continued to optimize investment portfolio based on investment research and risk management in terms of asset management business.

The Company mostly invested in debt financial assets. In the first half of 2018, the Company mainly invested in negotiated deposits and interest rate bonds with eligible return and controlled risk. The Company took prudent attitudes towards credit products, closely monitored and minimized the risks of credit bonds and strictly controlled the qualifications of newly-added credit bonds. The upheaval brought by credit risk events was successively avoided. At the same time, the Company followed the market situation and continued to optimize bond fund portfolio. As at 30 June 2018, the debt financial assets of the Company amounted to RMB461,839 million, accounting for 63.5% of the total investment assets, and decreasing by 3.8pt compared with the end of last year.

In terms of equity financial assets, the Company decreased the risks of significant fluctuation in the net value of the equity account and sought rational risk-return ratio. According to the investment strategy made in early 2018, the Company focused on forestalling risks and optimized investment portfolio in accordance with market features. With respect to stock investment, the Company strictly controlled its stock investment and builded up its investment portfolio through carefully selecting stocks and capitalizing on trading opportunities in a prudent way. In terms of fund investment, the Company effectively managed its fund investment and avoided losses brought by market upheaval. As at 30 June 2018, the equity financial assets of the Company amounted to RMB125,623 million, accounting for 17.3% of the total investment assets, and down by 1.8pt compared with the end of last year.

SECTION 3

MANAGEMENT DISCUSSION AND ANALYSIS

1. Investment portfolio

Unit: RMB million

	As at 30 June 2018		As at 31 December 2017		Change
	Amount	Proportion	Amount	Proportion	of amount
Investment assets	727,615	100.0%	688,315	100.0%	5.7%
Classified by investment type					
Term deposits ⁽¹⁾	56,890	7.8%	41,809	6.1%	36.1%
Debt financial assets	461,839	63.5%	463,468	67.3%	-0.4%
– Bonds	271,519	37.3%	263,782	38.3%	2.9%
– Trust products	64,694	8.9%	63,756	9.3%	1.5%
– Debt plans ⁽²⁾	36,290	5.0%	40,200	5.8%	-9.7%
– Asset funding plans	20,000	2.8%	20,000	2.9%	0.0%
– Others ⁽³⁾	69,336	9.5%	75,730	11.0%	-8.4%
Equity financial assets	125,623	17.3%	131,370	19.1%	-4.4%
– Funds	45,626	6.3%	49,818	7.3%	-8.4%
– Stocks ⁽⁴⁾	38,460	5.3%	40,112	5.8%	-4.1%
– Others ⁽⁵⁾	41,537	5.7%	41,440	6.0%	0.2%
Investments in associates and joint ventures	4,867	0.7%	4,896	0.7%	-0.6%
Cash and cash equivalents ⁽¹⁾	37,146	5.1%	8,812	1.3%	321.5%
Other investment assets ⁽⁶⁾	41,250	5.6%	37,960	5.5%	8.7%
Classified by investment purpose					
Financial assets at fair value through profit or loss	8,823	1.2%	6,532	0.9%	35.1%
Available-for-sale financial assets	310,688	42.7%	320,385	46.6%	-3.0%
Held-to-maturity investments	210,261	28.9%	206,321	30.0%	1.9%
Loans and other receivables ⁽⁷⁾	192,976	26.5%	150,181	21.8%	28.5%
Investment in associates and joint ventures	4,867	0.7%	4,896	0.7%	-0.6%

Notes:

- Term deposits exclude those with maturity of three months or less, and cash and cash equivalents include term deposits with maturity of three months or less.
- Debt plans mainly consist of infrastructure and real estate funding projects.
- Others include perpetual bonds and debt wealth management products.
- Stocks include common stocks and preferred stocks.
- Others include asset management products, private equity, equity plans, unlisted equity investments and equity wealth management products.
- Other investment assets mainly include statutory deposits, policy loans, financial assets purchased under agreements to resell, dividends receivable and interests receivable, etc.
- Loans and other receivables mainly include term deposits, cash and cash equivalents, statutory deposits, policy loans, financial assets purchased under agreements to resell, dividends receivable, interests receivable, loans and receivables, etc.

2. *Investment income*

Unit: RMB million

For the six months ended 30 June	2018	2017	Change
Interest income from cash and cash equivalents	54	61	-11.5%
Interest income from term deposits	1,188	1,565	-24.1%
Interest income from debt financial assets	11,852	11,119	6.6%
Dividend income from equity financial assets	3,267	2,510	30.2%
Interest income from other investment assets ⁽¹⁾	714	627	13.9%
Net investment income⁽²⁾	17,075	15,882	7.5%
Realized gains/(losses) on investment assets	(79)	589	N/A
Unrealized gains/(losses)	(200)	138	N/A
Impairment losses on investment assets	(489)	(716)	-31.7%
Share of results of associates and joint ventures under equity method	221	118	87.3%
Total investment income⁽³⁾	16,528	16,011	3.2%
Annualized net investment yield (%) ⁽⁴⁾	5.0%	4.9%	0.1pt
Annualized total investment yield (%) ⁽⁴⁾	4.8%	4.9%	-0.1pt

Notes:

- Interest income from other investment assets includes interest income from statutory deposits, policy loans and financial assets purchased under agreements to resell.
- Net investment income includes interest income from cash and cash equivalents, term deposits, debt financial assets and other investment assets and dividend income from equity financial assets.
- Total investment income = net investment income + realized gains/(losses) on investment assets + unrealized gains/(losses) + impairment losses on investment assets + share of results of associates and joint ventures under equity method
- Annualized investment yield = (investment income – interest expense of financial assets sold under agreements to repurchase)/(monthly average investment assets – monthly financial assets sold under agreements to repurchase – monthly interest receivables) *2.

3. *Investment in non-standard assets*

The credit risks of the non-standard assets that the Company currently holds are within control with most of its underlying assets being loans in institutional financing of non-banking sector, real estate financing and infrastructure financing. The involving enterprises are industrial giants, large financial institutions and central enterprises. As at 30 June 2018, the non-standard assets amounted to RMB231,733 million, decreasing by RMB9,230 million compared with the end of last year, accounting for 31.8% of the total investment assets, and down by 3.2pt compared with the end of last year. The amount of non-standard assets reduced mainly because of the maturity or early repayment of certain non-standard assets. The non-standard assets that the Company held had good credit enhancement measures. In addition to financing entities which are exempted credit enhancement requirements by regulatory authorities, most of non-standard assets are taken following credit enhancement measures, such as mortgage and pledge, joint guarantee, repurchase agreement, imbalance payment commitment and co-managing assets, so the overall quality of the non-standard assets was adequate and with low risks.

SECTION 3

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Ratings

After deducting wealth management products issued by commercial banks and equity financial products not requiring external ratings, the existing non-standard assets of the Company with AAA ratings accounted for 95.3% of total non-standard assets as at 30 June 2018. The overall credit risk was limited.

Ratings of Financial Products

Credit rating	Proportion
AAA	95.3%
AA+	3.0%
AA	1.7%
Total	100.0%

(2) Investment portfolio

Unit: RMB million

	As at 30 June 2018	Proportion	Proportion change compared with the end of last year	Amount change compared with the end of last year
Non-standard debt investments	190,320	82.1%	-0.8pt	(9,366)
Trust product	64,694	27.9%	1.4pt	938
Debt plan	36,290	15.7%	-1.0pt	(3,910)
Project asset support plan	20,000	8.6%	0.3pt	–
Wealth management product	64,336	27.8%	-1.5pt	(6,394)
Perpetual Bond	5,000	2.1%	0.0pt	–
Non-standard equity investments	41,413	17.9%	0.8pt	136
Asset management plan	14,844	6.4%	-1.0pt	(3,020)
Private equity	4,243	1.9%	0.2pt	115
Unlisted equity	17,585	7.6%	1.5pt	3,000
Equity investment plan	4,700	2.0%	0.1pt	–
Wealth management product	41	0.0%	0.0pt	41
Total	231,733	100%		(9,230)

(3) Top 10 management institutions of financial products

Unit: RMB million

For the six months ended 30 June 2018	Paid Amount	Proportion
Shanghai Pudong Development Bank Co., Ltd.	34,980	15.1%
New China Asset Management Co., Ltd.	30,459	13.1%
Huarong International Trust Co., Ltd.	18,453	8.0%
Industrial Bank Co., Ltd.	16,498	7.1%
Zhongrong International Trust Co., Ltd.	16,042	6.9%
Huaneng Guicheng Trust Co., Ltd.	8,196	3.5%
Beijing International Trust Co., Ltd.	6,599	2.9%
PICC Capital Investment Management Company Limited	6,070	2.6%
China International Trust and Investment Corporation Ltd.	5,500	2.4%
Generali China Asset Management Co., Ltd.	5,454	2.4%
Total	148,251	64.0%

III. ANALYSIS BY COMPONENT

(I) Solvency

The Company calculated and disclosed core capital, actual capital, minimum capital, core solvency margin ratio and comprehensive solvency margin ratio according to the Solvency Regulatory Rules (No. 1-17) for Insurance Companies. As required by the CBIRC, solvency margin ratios of a domestic insurance company in P.R.C. must meet the prescribed thresholds.

Unit: RMB million

	As at 30 June 2018	As at 31 December 2017	Reason(s) of Change
Core capital	206,913	192,528	Gains for the current period, changes in fair value of available-for-sale financial assets and growth in insurance business
Actual capital	210,913	196,528	
Minimum capital	77,669	69,773	Growth and structural change in insurance and investment business
Core solvency margin ratio ⁽¹⁾	266.40%	275.93%	
Comprehensive solvency margin ratio ⁽¹⁾	271.55%	281.67%	

Note:

1. Core solvency margin ratio = core capital/minimum capital; comprehensive solvency margin ratio = actual capital/minimum capital.

SECTION 3

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Liquidity Analysis

1. Gearing ratio

	As at 30 June 2018	As at 31 December 2017
Gearing ratio ⁽¹⁾	91.3%	91.0%

Note:

- Gearing ratio = Total liabilities/Total assets

2. Analysis of consolidated statement of cash flows

Unit: RMB million

For the six months ended 30 June	2018	2017	Change
Net cash flows from operating activities	4,135	(4,207)	N/A
Net cash flows from investing activities	(4,271)	15,706	N/A
Net cash flows from financing activities	28,416	(10,032)	N/A

The net cash flows from operating activities of current period turned from net outflow of the corresponding period of last year to net inflow, due to the increase of cash premiums received from existing insurance contracts.

The net cash flows from investing activities of current period turned from net inflow of the corresponding period of last year to net outflow, due to the decrease of cash received from disinvestment.

The net cash flows from financing activities of current period turned from net outflow of the corresponding period of last year to net inflow, due to the cash inflow of sales of business under agreement to repurchase.

3. Source and use of liquidity

The principal cash inflows of the Company were comprised of insurance premiums, income from investment contracts, proceeds from sales and maturity of investment assets, and investment income. The liquidity risks with respect to these cash inflows primarily arose from surrenders of contract holders and policyholders, as well as the risks of default by debtors, risks of fluctuation of interest rate and other market elements. The Company closely monitors and manages these risks.

The cash and bank deposits of the Company offer liquidity resources to satisfy the requirements of cash outflows. As of the end of the reporting period, cash and cash equivalents amounted to RMB37,146 million. The term deposits of the Company amounted to RMB56,890 million. In addition, substantially all of the Company's term deposits were available for utilization, subject to interest loss. The investment portfolio of the Company also provides liquidity resources to satisfy the demands of unexpected cash outflows. As of the end of the reporting period, the book value of debt financial assets investment amounted to RMB461,839 million, and the book value of equity financial assets investment amounted to RMB125,623 million.

The principal cash outflows of the Company were comprised of the liabilities associated with various life insurance, annuity, accident and health insurance products, the distribution of dividends and interest payments of insurance policies and annuity contracts, operating expenses, income taxes and dividends declared and payable to shareholders. Cash outflows arising from the insurance activities were primarily related to benefit payments of insurance products, as well as payments for policy surrenders, withdrawals and loans.

The Company is of the view that its sources of liquidity are sufficient to meet its current cash requirements.

(III) Reinsurance business

The Company's reinsurance business currently includes business ceded through quota share, surplus and catastrophe reinsurance contracts. The current reinsurance contracts cover almost all products with risks and obligations. Reinsurers of the Company mainly include Swiss Reinsurance Company Ltd., Beijing Branch, and China Life Reinsurance Company Ltd., etc.

Premiums ceded out

Unit: RMB million

For the six months ended 30 June	2018	2017
Swiss Reinsurance Company Ltd., Beijing Branch	519	416
China Life Reinsurance Company Ltd.	231	212
Others ⁽¹⁾	126	8
Total	876	636

Note:

- Others primarily included General Reinsurance AG Shanghai Branch, Hannover Rückversicherung AG Shanghai Branch, SCOR Global Life SE Beijing Branch, Munich Reinsurance Company Beijing Branch and etc.

SECTION 3

MANAGEMENT DISCUSSION AND ANALYSIS

IV. FUTURE PROSPECTS

As the report of the 19th National Congress of the Communist Party of China puts it, China's economy has shifted from high-speed growth to high-quality growth, and now we are at the critical time of transforming the model of growth, optimizing economic structure and fostering new growth drivers. After great efforts of the first half of 2018, transformation and development in the life insurance industry got off to a good start. Industrial regulation, including preventing risks, cracking down on violations and improving weak links rolled out across the industry. The life insurance industry is increasingly regulated. The implementation of individual income tax deferred pension policy and the adjustment of qualifications for enterprise annuity fund management institutions brought new opportunities for the development of life insurance industry. Great changes have taken place in the internal and external environment of capital market. With the increase of uncertainties, risk preference continues to be under pressure in the short term, but investment climate is expected to improve in the long term.

Under the new situation, the Company will continue to carry out new development vision, adhering to the principle of making steady progress and striving to achieve targets made in the 13th Five Year Plan. The specific measures are as follows.

Firstly, the Company will prioritize the development of protection business. Returning to the essence of life insurance, the Company focuses on the sales of protection type products, represented by health insurance products, to gradually supplement the current product system and to provide the comprehensive risk prevention services covering customers' life, aging, illness, death and disability.

Secondly, the Company will keep improving the sales capabilities of sales team. Insisting on improving business performance as the fundamental target of team building, the Company further improves core indicators, including performance rate and policies per capita to achieve the quality growth of sales team.

Thirdly, the Company will enhance the sales support. The Company organizes and promotes the special training for the sales of health insurance products, builds up the open distribution platform and continuously improves the application of Internet technology in sales and management. The Company continues to carry out the vocational training on underwriting and claim settlement to provide strong support for the sales team.

Fourthly, the Company will constantly optimize the customer service. The Company keeps promoting the basic service system and the value-added service system, Love Credit Accumulation, and continuously improves the efficiency of underwriting and claim settlement services, so as to fully optimize customer's experience throughout the whole process of services from insurance consulting to claims payment.

Fifthly, the Company will optimize investment portfolio. Under the premise of strictly preventing risks, the Company continues to improve the management mechanism for investment risk, adjust the asset allocation reasonably on the basis of in-depth study of the law of capital market, and realize the maintenance and appreciation of insurance funds.

Sixthly, the Company will persist in compliance operation in accordance with law. The Company improves basic management, deepens the construction of system and procedure and strengthens the long-term mechanism for risk control and compliance to earnestly enhance its law-based compliance operation and management capacity.

WILLIS TOWERS WATSON'S REVIEW OPINION REPORT ON EMBEDDED VALUE

To the Directors of New China Life Insurance Company Ltd.

New China Life Insurance Company Ltd. ("NCI") has prepared embedded value results for the first half year ended 30 June 2018 ("EV Results"). The disclosure of these EV Results, together with a description of the methodology and assumptions that have been used, are shown in the Embedded Value section.

Towers Watson Management (Shenzhen) Consulting Co. Ltd Beijing Branch ("WTW" or "we") has been engaged by NCI to review its EV Results as of 30 June 2018. This report is addressed solely to NCI in accordance with the terms of our engagement letter, and sets out the scope of our work and our conclusions. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than NCI for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

Scope of work

Our scope of work covered:

- A review of the methodology used to calculate the embedded value and the value of first half year's new business as at 30 June 2018, in the light of the requirements of the "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" issued by the China Association of Actuaries ("CAA") in November 2016;
- A review of the economic and operating assumptions used to calculate the embedded value and the value of first half year's new business as at 30 June 2018; and
- A review of the results of NCI's calculation of the EV Results, comprising:
 - the embedded value and the value of first half year's new business as at 30 June 2018;
 - the sensitivity tests of the value of in-force business and value of first half year's new business as at 30 June 2018; and
 - the analysis of change of the embedded value from 31 December 2017 to 30 June 2018.

In carrying out our review, we have relied on the accuracy of audited and unaudited data and information provided by NCI.

SECTION 4

EMBEDDED VALUE

Opinion

Based on the scope of work above, we have concluded that:

- The embedded value methodology used by NCI is consistent with the requirements of the “CAA Standards of Actuarial Practice: Appraisal of Embedded Value” issued by the CAA. The methodology applied by NCI is a common methodology used to determine embedded values of life insurance companies in China at the current time;
- The economic assumptions used by NCI are internally consistent, have been set with regard to current economic conditions, and have made allowance for the company’s current and expected future asset mix and investment strategy;
- The operating assumptions used by NCI have been set with appropriate regard to past, current and expected future experience;
- The EV Results have been prepared, in all material respects, in accordance with the methodology and assumptions set out in the Embedded Value section.

WTW confirms that the results shown in the Embedded Value section of NCI’s 2018 interim report are consistent with those reviewed by WTW.

For and on behalf of WTW

Mei-Chee Shum, FFA

Benjamin Chen, FSA

28 August 2018

1. BACKGROUND

In order to provide investors with an additional tool to understand our economic value and business results, we have prepared the Company's Embedded Value as at 30 June 2018 and have disclosed the relevant information in this section.

Embedded Value (EV) is an actuarially determined estimate of the economic value of the life insurance business of an insurance company based on a series of assumptions about future experience. But it does not incorporate the contribution of economic value from future new business. Value of New Business (VNB) represents an actuarially determined estimate of the economic value arising from new life insurance business issued during a certain period of time. Hence, the embedded value method can provide an alternative measure of the value and profitability of a life insurance company.

The reporting of embedded value and value of new business provides useful information to investors in two respects. First, Value of In-Force business (VIF) represents the total amount of after-tax shareholder distributable profits in present value terms, which can be expected to emerge over time, based on the assumptions used. Second, Value of New Business provides a metric to measure the value created for investors from new business activities and hence the potential growth of the company. However, the information on embedded value and value of new business should not be viewed as a substitute of financial measures under other relevant financial bases. Investors should not make investment decisions based solely on embedded value and value of new business information.

As standards for the disclosure of embedded value continue to develop internationally and in the P.R.C., the form and content of our presentation of embedded value may change. Hence, differences in definition, methodology, assumptions, accounting basis and disclosures may cause inconsistency when the results of different companies are compared. Also, embedded value calculations involve substantial technical complexity and estimates of value can vary materially as key assumptions are changed.

In November 2016, China Association of Actuaries (CAA) issued CAA [2016] No.36 "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" (hereafter referred to as "Appraisal of Embedded Value" standard). The embedded value and value of new business in this section are prepared by us in accordance with the "Appraisal of Embedded Value" standard. Willis Towers Watson, an international firm of consultants, performed a review of our embedded value. The review statement from Willis Towers Watson is contained in the "Willis Towers Watson's Review Opinion Report on Embedded Value" section.

2. DEFINITIONS OF EMBEDDED VALUE

Embedded value is the sum of the adjusted net worth and the value of in-force business allowing for the cost of required capital held by the company.

"Adjusted Net Worth" (ANW) is equal to the sum of:

- Net assets, defined as assets less policy liabilities valued under the "Appraisal of Embedded Value" standard; and
- Net-of-tax adjustments for relevant differences between the market value and the book value of assets, together with relevant net-of-tax adjustments for differences between China Accounting Value Standards reserves and reserves under the "Appraisal of Embedded Value" standard.

SECTION 4

EMBEDDED VALUE

The market value of assets can fluctuate significantly over time due to the impact of the prevailing market environment. Hence, the adjusted net worth can fluctuate significantly between valuation dates.

The “value of in-force business” is the discounted value of the projected stream of future after-tax shareholder distributable profits for existing in-force business at the valuation date. The “value of first half year’s new business” is the discounted value of the projected stream of future after-tax shareholder distributable profits for sales in the 6 months immediately preceding the valuation date. Shareholder distributable profits are determined based on policy liabilities, required capital in excess of policy liabilities, and minimum capital requirement quantification standards prescribed by the CIRC.

The value of in-force business and the value of first half year’s new business have been determined using a traditional deterministic discounted cash flow methodology. This methodology is consistent with the “Appraisal of Embedded Value” standard and is also commonly-used in determining EVs of life insurance companies in China at the current time. This methodology makes implicit allowance for all sources of risks, including the cost of investment guarantees and policyholder options, asset/liability mismatch risk, credit risk, the deviation of the actual experience from the projected and the economic cost of capital, through the use of a risk-adjusted discount rate.

3. KEY ASSUMPTIONS

In determining the embedded value and the value of first half year’s new business as at 30 June 2018, we have assumed that the Company continues to operate as a going concern under the current economic and regulatory environment, and the relevant regulations for determining policy liabilities and required capital remain unchanged. The operational assumptions are mainly based on the results of experience analyses of the Company, together with reference to the overall experience of the Chinese life insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimates of the future based on information currently available at the valuation date.

(1) Risk Discount Rate

The risk discount rate used to calculate the value of in-force business and value of first half year’s new business is 11.5%.

(2) Investment Returns

The investment return assumptions as at 30 June 2018 are shown below for the different funds respectively.

Investment Return Assumptions for VIF and the Value of First Half Year’s New Business as at 30 June 2018

	2018	2019	2020	2021+
Non-participating	4.50%	4.60%	4.80%	5.00%
Participating	4.50%	4.60%	4.80%	5.00%
Universal life	4.50%	4.70%	5.00%	5.10%
Unit-linked	7.60%	7.60%	7.80%	7.90%

Note: Investment return assumptions are applied to calendar year.

(3) Mortality

Mortality assumptions have been developed based on the Company's past mortality experience, expectations of current and future experience. Mortality assumptions are expressed as a percentage of the standard industry mortality tables: "China Life Tables (2010 to 2013)".

(4) Morbidity

Morbidity assumptions have been developed based on the Company's past morbidity experience, expectations of current and future experience. Morbidity assumptions are expressed as a percentage of "China Life Insurance Experienced Critical Illness Table (2006 to 2010)".

(5) Discontinuance Rates

Assumptions have been developed based on the Company's past discontinuance experience, expectations of current and future experience, and overall knowledge of the Chinese life insurance market. Assumptions vary by product type and premium payment mode.

(6) Expenses

Unit cost assumptions have been developed based on the Company's past actual expense experience, expectations of current and future experience. Future inflation of 2.0% p.a. has been assumed in respect of per policy expenses.

(7) Commission and Handling Fees

The assumed level of commission and commission override, as well as handling fees, have been set based on the levels currently being paid.

(8) Policyholder Bonuses and Dividends

The assumptions regarding policyholder dividends have been derived in accordance with our current policyholder bonus and dividend policy, whereby 70% of surplus arising from participating business is paid to policyholders.

(9) Tax

Tax has been assumed to be payable at 25% p.a. of profits with allowance for the exemption of certain investment income, including Chinese government bonds, and dividend income from equities and equity investment funds. In addition, taxes and surcharges for short-term health and accident business are based on related tax regulation.

SECTION 4

EMBEDDED VALUE

(10) Cost of Required Capital

It is assumed that 100% of the minimum capital requirement prescribed by the CIRC is to be held by the Company in the calculation of the value of in-force business and the value of first half year's new business.

The current solvency regulations have been assumed unaltered throughout the course of projection.

(11) Other Assumptions

The current methods for calculating surrender values have been assumed unaltered throughout the course of projection.

Our current reinsurance arrangements have been assumed to remain unaltered.

4. EMBEDDED VALUE RESULTS

The table below shows our embedded value and value of first half year's new business as at 30 June 2018 and their corresponding results as at prior valuation date.

Unit: RMB million

Valuation Date	30 June 2018	31 December 2017
Adjusted Net Worth	96,966	93,210
Value of In-Force Business Before Cost of Required Capital Held	87,580	79,347
Cost of Required Capital Held	(18,945)	(19,083)
Value of In-Force Business After Cost of Required Capital Held	68,635	60,264
Embedded Value	165,601	153,474

Notes:

1. Numbers may not be additive due to rounding.
2. The impact of major reinsurance contracts has been reflected in the embedded value.

SECTION 4

EMBEDDED VALUE

Unit: RMB million

Valuation Date	30 June 2018	30 June 2017
Value of First Half Year's New Business		
Value of First Half Year's New Business Before Cost of Required Capital Held	7,608	8,565
Cost of Required Capital Held	(1,156)	(1,485)
Value of First Half Year's New Business After Cost of Required Capital Held	6,451	7,080

Notes:

- Numbers may not be additive due to rounding.
- The value of first half year's new business as at 30 June 2017 was restated on a stand-alone basis using assumptions as at 31 December 2017.
- The first year premiums used to calculate the value of first half year's new business as at 30 June 2018 and 30 June 2017 were RMB12,788 million and RMB17,998 million respectively.
- The impact of major reinsurance contracts has been reflected in the embedded value.

Unit: RMB million

Valuation Date	30 June 2018	30 June 2017
Value of First Half Year's New Business by Distribution Channel		
Individual Insurance Channel	5,952	6,817
Bancassurance Channel	531	319
Group Insurance Channel	(32)	(56)
Total	6,451	7,080

Notes:

- Numbers may not be additive due to rounding.
- The value of first half year's new business as at 30 June 2017 was restated on a stand-alone basis using assumptions as at 31 December 2017.
- The first year premiums used to calculate the value of first half year's new business as at 30 June 2018 and 30 June 2017 were RMB12,788 million and RMB17,998 million respectively.
- The impact of major reinsurance contracts has been reflected in the embedded value.

SECTION 4

EMBEDDED VALUE

5. ANALYSIS OF CHANGE

The analysis of change in Embedded Value from 31 December 2017 to 30 June 2018, calculated at a risk discount rate of 11.5%, is shown below.

Unit: RMB million

Analysis of Change in EV from 31 December 2017 to 30 June 2018 at a Risk Discount Rate of 11.5%	
1. EV at the beginning of period	153,474
2. Impact of Value of New Business	6,451
3. Expected Return	6,935
4. Operating Experience Variances	2,186
5. Economic Experience Variances	(2,192)
6. Operating Assumption Changes	–
7. Economic Assumption Changes	–
8. Capital Injection/Shareholder Dividend Payment	(1,622)
9. Others	313
10. Value Change Other Than Life Insurance Business	55
11. EV at the end of period	165,601

Note: Numbers may not be additive due to rounding.

Items 2 to 10 are explained below:

2. Value of new business as measured at the point of issuing.
3. Expected return on adjusted net worth and value of in-force business during the relevant period.
4. Reflects the difference between the actual operating experience in the period (including mortality, morbidity, discontinuance rates, expenses and taxes) and the assumed at the beginning of the period.
5. Reflects the difference between actual and expected investment returns and market value adjustment in the period.
6. Reflects the change in operating assumptions between valuation dates.
7. Reflects the change in economic assumptions between valuation dates.
8. Capital injection and other dividend payment to shareholders.
9. Other miscellaneous items.
10. Value change other than those arising from the life insurance business.

6. SENSITIVITY TESTS

Sensitivity tests are performed under a range of alternative assumptions. In each of the sensitivity tests, only the assumption referred to is changed, with all other assumptions unchanged. The results are summarised below.

Unit: RMB million

VIF and Value of First Half Year's New Business Sensitivity Results as at 30 June 2018	VIF after Cost of Required Capital Held	Value of First Half Year's New Business after Cost of Required Capital Held
Scenarios		
Base Scenario	68,635	6,451
Risk Discount Rate at 12%	65,371	6,170
Risk Discount Rate at 11%	72,114	6,752
Investment Return 50bps higher	81,053	7,191
Investment Return 50bps lower	56,169	5,708
Expenses 10% higher (110% of Base)	66,898	5,837
Expenses 10% lower (90% of Base)	70,371	7,066
Discontinuance Rates 10% higher (110% of Base)	67,245	6,098
Discontinuance Rates 10% lower (90% of Base)	70,020	6,814
Mortality 10% higher (110% of Base)	67,984	6,388
Mortality 10% lower (90% of Base)	69,286	6,515
Morbidity and Loss Ratio 10% higher (110% of Base)	66,269	6,019
Morbidity and Loss Ratio 10% lower (90% of Base)	71,007	6,882
Profit Sharing between Participating Policyholders and Shareholders is assumed to be 75%/25% instead of 70%/30%	63,597	6,391

SECTION 5

SIGNIFICANT EVENTS

I. IMPLEMENTATION OF PROFIT DISTRIBUTION PLAN DURING THE REPORTING PERIOD

According to the Proposal on the Profit Distribution Plan for the Year 2017 approved by the annual general meeting of 2017, with the appropriation to its discretionary surplus reserve of RMB519 million (10% of the net profit for 2017), the Company distributed a cash dividend of RMB0.52 (including tax) per share to all shareholders of the Company and completed the distribution of 2017 annual dividend on 10 August 2018.

II. THE PLANS OF PROPOSED INTERIM DIVIDEND AND INCREASE OF SHARES WITH THE USE OF CAPITAL RESERVE

The Company neither distributed interim dividend nor increased shares with the use of capital reserve in the first half of 2018.

III. CHANGES IN ACCOUNTING ESTIMATES

The Company determined actuarial assumptions which include, among others, assumptions on the discount rates, mortality rates, morbidity rates, expenses, policyholder dividend and lapse rates based on current information available as at the date of the balance sheet. These assumptions were used to calculate the liabilities of insurance contracts as at the date of the balance sheet.

On 30 June 2018, the Company reviewed the above assumptions based on the information available. The changes in liabilities of insurance contracts arising from the changes in the assumptions were recognised in the statement of profit or loss. As at 30 June 2018, the changes in accounting estimates above resulted in a decrease in liabilities of life insurance contracts by RMB300 million, an increase in liabilities of long-term health insurance contracts by RMB153 million and an increase in profit before tax by RMB147 million in aggregate.

IV. SIGNIFICANT LITIGATION, ARBITRATION EVENTS AND GENERAL MEDIA DOUBTS

For details of litigation matters regarding the recovery of capital relating to the misconduct of Mr. GUAN Guoliang, former chairman, during the reporting period, please refer to “XII-Other significant events (III) Recovery for the monetary loss relating to the misconduct of former chairman Mr. GUAN Guoliang” in this section.

The above litigation has no material adverse effect on the Company’s financial condition and continuous profitability.

During the reporting period, the Company has no general media incredulity.

V. MAJOR EQUITY AND NON-EQUITY INVESTMENT

During the reporting period, the Company has no major equity or non-equity investment event.

VI. SALES OF MATERIAL ASSETS AND EQUITY, MERGER AND DIVISION

During the reporting period, the Company has no sales of material assets and equity, merger or division.

VII. CREDIT OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER

During the reporting period, the Company and its controlling shareholder were not subject to large amount enforceable judgements of the court or outstanding due and payable debts.

VIII. CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD

During the reporting period, the Company did not conduct any connected transaction or continuing connected transaction which is subject to the reporting, announcement or shareholders' approval requirements under Chapter 14A Connected Transactions of the Hong Kong Listing Rules.

IX. MATERIAL CONTRACTS AND THEIR PERFORMANCE

- (I) During the reporting period, there were no such events as managing, contracting and leasing assets of other companies by the Company or managing, contracting and leasing the Company's assets by other companies that contributed more than 10% (inclusive) of the Company's total profit.
- (II) During the reporting period, there was no external contract guarantee of the Company and its subsidiaries, and the Company and its subsidiaries did not provide any contract guarantee for its subsidiaries.
- (III) The utilization of capital of the Company was carried out mainly through entrusted management and the capital was invested and operated by Asset Management Company and Asset Management Company (Hong Kong).
- (IV) During the reporting period, the Company entrusted the third party with cash asset management in A shares for 2018 except for entrusting Asset Management Company and Asset Management Company (Hong Kong) with fund investment management.
- (V) Except this report may otherwise disclose, the Company had no other material contract during the reporting period.

X COMMITMENTS OF THE COMPANY OR SHAREHOLDERS WITH OVER 5% SHAREHOLDING DURING THE REPORTING PERIOD OR UNTIL THE REPORTING PERIOD

For details of the commitment made by Huijin, the controlling shareholder of the Company, to avoid horizontal competition, please refer to Announcement on the Conditions of None Fulfilled Commitments of the Company's Shareholders, Related Parties and the Company published on 13 February 2014 by the Company.

During the reporting period, the commitment relating to avoidance of horizontal competition has been fulfilled continuously and normally.

XI PENALTY AND RECTIFICATION OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, MEMBERS OF SENIOR MANAGEMENT AND CONTROLLING SHAREHOLDERS

During the reporting period, neither the Company, nor its directors, supervisors, members of senior management or controlling shareholder was subject to any investigations by the authorities, or any coercive measures by judicial authorities or disciplinary inspection departments, or sent to judicial authorities for criminal prosecution, or received investigation, administrative penalty or official censure by the CSRC, or public reprimand by stock exchanges, or major administrative penalty by the tax department or other administrative departments.

During the reporting period, the Company was not subject to any administrative supervision and rectification by the CSRC and its dispatched institutions.

SECTION 5

SIGNIFICANT EVENTS

XII OTHER SIGNIFICANT EVENTS

(I) Issuance of domestic and overseas debt financing instruments

To ensure the Company's sufficient solvency and to broaden the financing channels, the ninth meeting of the sixth session of the board of directors held on 24 February 2017 and the first extraordinary meeting of 2017 held on 28 April 2017 agreed that the Company issued domestic debt financing instruments in the amount not exceeding RMB15,000 million or equivalent amount not exceeding US2,000 million dollars in 2017, and authorized the management team of the Company to handle all affairs related to issuance of domestic and overseas debt financing instruments after the approval of regulatory authority and considering market situation. The authorization commences from the approval date of the first extraordinary general meeting of 2017 and ends on the date of the expiry of the annual general meeting of 2019. Please refer to the Announcement on the Resolutions of the Ninth Meeting of the Sixth Session of the Board of Directors published on 24 February 2017 and the Announcement of the First Extraordinary General Meeting of 2017 published on 28 April 2017.

During the reporting period, the Company did not issue domestic or overseas debt financing instruments.

(II) Indirect investment in infrastructure projects

As of the end of the reporting period, the Company entrusted Asset Management Company with a total amount of RMB16,130 million invested in the debt investment plan in infrastructure.

(III) Recovery for the monetary loss relating to the misconduct of former chairman Mr. GUAN Guoliang

To settle the capital flows and clear the debtor-creditor relationship between the Company and Beijing Tianhuan Real Estate Development Co., Ltd. during the term of office of the former Chairman Mr. GUAN Guoliang, the Company filed a lawsuit with Chongqing Municipal Higher People's Court against Beijing Tianhuan Real Estate Development Co., Ltd. and New China Trust Co., Ltd. on 18 March 2013. After the ruling of Chongqing Municipal Higher People's Court and the Supreme People's Court, Beijing Tianhuan Real Estate Development Co., Ltd. should repay the principal of RMB575 million together with interests of its debts to the Company. The Company has applied to Chongqing Municipal Higher People's Court for compulsory execution against Beijing Tianhuan Real Estate Development Co., Ltd.. The Company received RMB15,807,978.56 as a result of the execution in May 2016. The case is still in the process of execution.

XIII. CORPORATE GOVERNANCE

Pursuant to the Company Law, the Insurance Law, the Securities Law and other applicable laws and regulations as well as the requirements of domestic and overseas regulatory authorities, the Company has established and improved the corporate governance system consisting of the shareholders' general meeting, the board of directors, the board of supervisors and the senior management, and formed an operation mechanism under which the authorities, decision-making organs, supervisory organs and executive organs support and coordinate with each other with appropriate checks and balances. During the reporting period, the Company complied with the regulatory rules of the listing places, took effective measures to increase the operation efficiency of the board of directors, regulated and improved the information disclosure mechanism, enhanced communication with investors and improved transparency of the Company's operation.

During the reporting period, the Company held one shareholders' general meeting, five meetings of board of directors and two meetings of board of supervisors in total. Meeting resolutions and relevant meeting documents have been published on the websites of the SSE, the HKSE and the Company as well as other relevant information disclosure media. The shareholders' general meeting, the board of directors, the board of supervisors and the senior management all operated independently according to the Articles of Association and relevant rules and procedures, and effectively performed their respective duties.

Shareholders' General Meeting

Session	Date of Meeting	Published Media	Date of Publication
Annual General Meeting of 2017	2018-6-27	www.hkexnews.hk	2018-6-27

The Company has established the executive committee system and the role of CEO since February 2013. Mr. WAN Feng has been appointed as CEO concurrently as the chairman of the board of directors since March 2016. The board of directors of the Company is of the view that the roles of chairman and CEO being performed by the same individual could further streamline the Company's management system, improve the Company's operation efficiency, and is conducive to the business development and strategy implementation of the Company. Major events of the Company shall be subject to complete thorough deliberation and decision-making procedures. All of the above shall guarantee that the chairman of the board of directors and CEO performs his duties efficiently and diligently.

Save as disclosed above, during the reporting period, the Company met all the code provisions in the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules, and adopted most of the best practices set out therein.

SECTION 5

SIGNIFICANT EVENTS

The Company has formulated the Administrative Measures for Shareholding and Changes Thereof of Directors, Supervisors and Senior Management of New China Life Insurance Co., Ltd. to regulate the securities transactions of directors, supervisors and senior management of the Company, the terms of which are no less exacting than that of the Model Code for Securities Transactions. Having specific enquiries of all directors, supervisors and senior management, the Company confirmed that all the directors, supervisors and senior management have complied with the code of conduct specified in the Model Code for Securities Transactions and Administrative Measures for Shareholding and Changes Thereof of Directors, Supervisors and Senior Management of New China Life Insurance Co., Ltd.

The Interim Report 2018 has been reviewed by the audit committee of the board of directors.

XIV. ENVIRONMENT PROTECTION

The company actively carries out a series of measures, such as green office, green finance and green building, in an effort to reduce the environmental impact generated in the daily operation.

The company vigorously promotes paperless office and the use of electronic documents for reading; encourages water and electricity conservation and requires employees to turn off their computers and other electrical equipments during non-working hours. We also encourage to use air conditioners in a scientific way and set air-conditioner temperatures at no less than 26 degrees Celsius in summer.

The company has realized the online application of electronic policy, including the whole process application such as electronic policy encryption, real-time sending, short message service reminder, electronic signature, online download, multiple verification and background visual management. During the reporting period, the number of electronic policies has reached 3.82 million, which effectively improved customer experience and realized sharing green finance.

The design and implementation of Hefei Supporting Operation's construction project conform to green building standards, and structural schemes and basic schemes were selected to save materials and energy. The energy efficiency and green building schemes of the project was approved by Hefei Urban and Rural Construction Committee.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

I. CHANGES IN SHARE CAPITAL

During the reporting period, there was no change in the total number of shares and the share capital of the Company.

Unit: share

	31 December 2017		Increase or decrease during the reporting period (+, -)					30 June 2018	
	Number	Percentage	New shares issued	Bonus shares	Transfer from reserve	Others	Sub-total	Number	Percentage
1. Shares with selling restrictions	-	-	-	-	-	-	-	-	-
2. Shares without selling restrictions									
(1) Ordinary shares denominated in RMB	2,085,439,340	66.85%	-	-	-	-	-	2,085,439,340	66.85%
(2) Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
(3) Overseas listed foreign shares (H Share)	1,034,107,260	33.15%	-	-	-	-	-	1,034,107,260	33.15%
(4) Others	-	-	-	-	-	-	-	-	-
Total	3,119,546,600	100.00%	-	-	-	-	-	3,119,546,600	100.00%
3. Total number of shares	3,119,546,600	100.00%	-	-	-	-	-	3,119,546,600	100.00%

SECTION 6

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

II. SHAREHOLDERS

(I) Number of shareholders and their shareholdings

As of the end of the reporting period, there are 80,207 shareholders of the Company, including 79,926 A Share shareholders and 281 H Share shareholders.

Shares held by top ten shareholders

Unit: share

Name of the shareholders	Class of the shares	Percentage of the shareholding (%)	Total number of shares held	Increase or decrease of shareholding during the reporting period (+,-)	Number of shares held with selling restrictions ⁽¹⁾	Number of shares pledged or frozen	Type of shares
HKSCC Nominees Limited ⁽²⁾	Overseas legal person shares	33.14	1,033,877,356	-7,100	-	-	H
Central Huijin Investment Ltd.	State-owned shares	31.34	977,530,534	-	-	-	A
China Baowu Steel Group Corporation Limited ⁽³⁾	State-owned legal person shares	12.09	377,162,581	-	-	-	A
China Securities Finance Corporation Limited	State-owned legal person shares	4.29	133,841,968	+44,683,991	-	-	A
Central Huijin Asset Management Ltd.	State-owned legal person shares	0.91	28,249,200	-	-	-	A
Beijing Taiji Huaqing Information System Co., Ltd.	Domestic legal person shares	0.58	18,200,000	-	-	-	A
NSSF 113Portfolio	State-owned legal person shares	0.50	15,649,758	-	-	-	A
HKSCC	Other	0.30	9,229,323	+2,190,969	-	-	A
NSSF 112 Portfolio	State-owned legal person shares	0.30	9,202,811	+8,902,811	-	-	A
NSSF 114 Portfolio	State-owned legal person shares	0.26	8,205,270	+4,157,279	-	-	A
Description of related-party relations or concerted action among the aforesaid shareholders	Central Huijin Asset Management Ltd. is a wholly owned subsidiary of Central Huijin Investment Ltd. Save for the above, the Company is not aware of any related-party relationship among the shareholders or whether they are parties acting in concert.						

Notes:

- As of the end of the reporting period, none of the Company's A shares and H shares was subject to selling restrictions.
- HKSCC Nominees Limited is a company that holds shares on behalf of the clients of the Hong Kong stock brokers and other participants of CCASS system. The relevant regulations of the HKSE do not require such persons to declare whether their shareholdings are pledged or frozen. Therefore, HKSCC Nominees Limited is unable to calculate or provide the number of shares pledged or frozen.
- HKSCC is a company that holds shares on behalf of the clients of the Shanghai-Hong Kong Stock Connect.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

(II) Change of controlling shareholder and the de facto controller

During the reporting period, there is no change in the controlling shareholder or the de facto controller of the Company.

(III) Interests and short positions of substantial shareholders and other persons in the shares and underlying shares

So far as the directors of the Company are reasonably aware of, as at 30 June 2018, China Baowu holds 377,162,581 A shares of the Company, which account for 12.09% of the total issued shares of the Company, and 18.09% of the total issued A shares of the Company.

In addition to the above, so far as the directors of the Company are reasonably aware of, as at 30 June 2018, the following persons (other than the directors, supervisors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, and have been entered into the register maintained by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholders	Type of shares	Capacity	Number of shares	Percentage of the total shares issued %	Percentage of the A shares issued %	Percentage of the H shares issued %	Long Position/ Short Position/ Interest in a lending pool
1 Central Huijin Investment Ltd.	A share	Beneficial Owner	977,530,534	31.34	46.87	–	Long Position
		Interests of Controlled Corporation	28,249,200	0.91	1.35	–	Long Position
2 Swiss Re Ltd	H share	Interests of Controlled Corporation	77,857,800 (Note 3)	2.50	–	7.53	Long Position
3 Fosun International Holdings Ltd.	H share	Interests of Controlled Corporation	155,120,200 (Note 4)	4.97	–	15.00	Long Position
4 Fosun International Limited	H share	Interests of Controlled Corporation	124,018,300	3.98	–	11.99	Long Position
		Beneficial Owner	31,101,900 (Note 4)	1.00	–	3.01	Long Position
5 GUO Guangchang	H share	Interests of Controlled Corporation	155,120,200 (Note 4)	4.97	–	15.00	Long Position
6 Goldman Sachs (UK) L.L.C.	H share	Interests of Controlled Corporation	52,124,967	1.67	–	5.04	Long Position
			51,194,269 (Note 5)	1.64	–	4.95	Short Position
7 Goldman Sachs Group UK Limited	H share	Interests of Controlled Corporation	52,124,967	1.67	–	5.04	Long Position
			51,194,269 (Note 5)	1.64	–	4.95	Short Position
8 Goldman Sachs International	H share	Beneficial Owner	52,124,967	1.67	–	5.04	Long Position
			51,194,269 (Note 5)	1.64	–	4.95	Short Position

SECTION 6

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

Name of substantial shareholders	Type of shares	Capacity	Number of shares	Percentage of the total shares issued %	Percentage of the A shares issued %	Percentage of the H shares issued %	Long Position/ Short Position/ Interest in a lending pool
9 The Goldman Sachs Group, Inc.	H share	Interests of Controlled Corporation	52,126,067	1.67	–	5.04	Long Position
			52,090,169 (Notes 5 & 6)	1.67	–	5.04	Short Position
10 Goldman Sachs (Asia) Corporate Holdings L.L.C.	H share	Interests of Controlled Corporation	52,124,967	1.67	–	5.04	Long Position
			51,194,269 (Note 5)	1.64	–	4.95	Short Position
11 Goldman Sachs (Hong Kong) International Investments Limited	H share	Interests of Controlled Corporation	52,124,967	1.67	–	5.04	Long Position
			51,194,269 (Note 5)	1.64	–	4.95	Short Position
12 Goldman Sachs Holdings (Asia Pacific) Limited	H share	Interests of Controlled Corporation	52,124,967	1.67	–	5.04	Long Position
			51,194,269 (Note 5)	1.64	–	4.95	Short Position
13 Goldman Sachs Holdings (Hong Kong) Limited	H share	Interests of Controlled Corporation	52,124,967	1.67	–	5.04	Long Position
			51,194,269 (Note 5)	1.64	–	4.95	Short Position
14 BlackRock, Inc.	H share	Interests of Controlled Corporation	54,043,070	1.73	–	5.23	Long Position
			1,643,600 (Note 7)	0.05	–	0.16	Short Position

Notes:

- 1 Data disclosed in the table above are based on the information provided on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).
- 2 Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Hong Kong Stock Exchange unless several criteria have been fulfilled, therefore a shareholder's latest shareholding in the Company may be different from the shareholding filed with the Hong Kong Stock Exchange.
- 3 Swiss Re Ltd holds equity interest in the shares of the Company through the companies controlled or indirectly controlled by it.
- 4 Mr. GUO Guangchang holds equity interest in the shares of the Company through Fosun International Holdings Ltd., Fosun Holdings Limited, Fosun International Limited and other companies controlled or indirectly controlled by them.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

5. As The Goldman Sachs Group, Inc. holds 100% of the shares of Goldman Sachs (UK) L.L.C., and Goldman Sachs (UK) L.L.C. holds 100% of the shares of Goldman Sachs Group UK Limited, and Goldman Sachs Group UK Limited holds 100% of the shares of Goldman Sachs International, while The Goldman Sachs Group, Inc. holds 100% of the shares of Goldman Sachs (Asia) Corporate Holdings L.L.C., Goldman Sachs (Asia) Corporate Holdings L.L.C. holds 100% of the shares of Goldman Sachs Holdings (Asia Pacific) Limited, Goldman Sachs Holdings (Asia Pacific) Limited holds 100% shares of Goldman Sachs Holdings (Hong Kong) Limited, Goldman Sachs Holdings (Hong Kong) Limited holds 100% shares of Goldman Sachs (Hong Kong) International Investments Limited, Goldman Sachs (Hong Kong) International Investments Limited holds 100% shares of Goldman Sachs Group UK Limited, and Goldman Sachs Group UK Limited holds 100% shares of Goldman Sachs International, so these companies are regarded as owning benefits in the Company's H shares held by Goldman Sachs International.
6. The Goldman Sachs Group, Inc. also holds equity interests in the shares of the Company through other companies controlled or indirectly controlled by it.
7. BlackRock, Inc. holds equity interests in the shares of the Company through the companies controlled or indirectly controlled by it.

Save as disclosed above, as at 30 June 2018, the Company was not aware that there was any other person (other than the directors, supervisors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered into the register maintained by the Company.

III. PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the reporting period, the Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company.

SECTION 7

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. CHANGES IN DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

(I) Changes of Directors

Mr. YANG Yi was elected as non-executive director of the sixth session of the board of directors at the 2017 annual general meeting held on 27 June 2018. Mr. YANG Yi's qualification was approved by the CBIRC on 24 July 2018. Please refer to the Approval of Director's Qualification by the CBIRC published on 31 July 2018.

Mr. HU Aimin has been the non-executive director of the Company since June 2016. Mr. Hu has been appointed as the deputy secretary of the party committee and vice general manager of Shanghai Baosteel Packaging Co., Ltd. since July 2018 and he is no longer the general manager of the industrial financial development center (investment management department) of China Baowu since then.

Mr. Dacey John Robert has been the non-executive director of the Company since August 2014. Mr. Dacey has been the chief financial officer of Swiss Re Group since April 2018 and he is no longer the chief strategy officer of Swiss Re Group since then.

Mr. PENG Yulong has been the non-executive director of the Company since July 2017. Mr. Peng has been the executive president for the insurance division of Shanghai Fosun Hi-tech (Group) Co., Ltd. since July 2018 and he is no longer the vice president for the insurance division of Shanghai Fosun Hi-tech (Group) Co., Ltd..

(II) Changes of Supervisors

Ms. Anke D'Angelo was elected as the supervisor of the sixth session of the board of supervisors of the Company at the 2016 annual general meeting of the Company held on 27 June 2017. Ms. Anke D'Angelo's qualification was approved by the CIRC on 25 January 2018. Please refer to the Approval of Supervisor's Qualification by the CIRC published on 5 February 2018.

Mr. YU Jiannan was elected as the supervisor of the sixth session of the board of supervisors of the Company at the second extraordinary general meeting of 2017 held on 19 December 2017. Mr. YU Jiannan's qualification was approved by the CIRC on 11 February 2018. Please refer to the Approval of Supervisor's Qualification by the CIRC published on 26 February 2018.

Mr. LIU Zhiyong tendered his resignation report to the board of supervisors on 10 April 2017. He resigned from the position as a supervisor of the Company due to work-related reasons. Considering that the resignation of Mr. LIU Zhiyong would reduce the number of supervisors to be less than two-thirds of the total number of supervisors specified in the Articles of Association, before the appointment of a new supervisor, Mr. LIU Zhiyong will continue to perform the duties as a supervisor in accordance with laws, regulations, regulatory documents and the Articles of Association. Please refer to the Announcement of Resignation of Supervisor published by the Company on 11 April 2017 for details. Mr. LIU Zhiyong was no longer the supervisor of the Company since 25 January 2018.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(III) Changes of Members of Senior Management

None.

II. SHAREHOLDING OF DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT**(I) Shareholding of the Company's A shares by directors, supervisors and members of senior management**

During the reporting period, no directors, supervisors or members of senior management currently in office or resigned during the reporting period held any of the Company's A shares directly or indirectly.

(II) Interests and short positions of directors, supervisors and chief executive under Hong Kong laws, regulations and rules

As at 30 June 2018, according to the information available to the Company and as far as our directors are aware of, there is no interests or short positions (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) held by our directors, supervisors and chief executive in our shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be entered into the register maintained by the Company pursuant to Section 352 of the SFO or which shall be notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions.

III. THE COMPANY'S EMPLOYEES

As at 30 June 2018, there are a total of 38,500 employees who entered into employment contracts with the Company (life insurance headquarter and 35 branches).

In accordance with characteristics of the business and demand of talent competition in the market, the Company provides employees with competitive remuneration with reference to the level of its counterparts in the industry. The remuneration of the contractual field sales personnel of the Company comprises basic remuneration and performance-based bonus. Insisting on the remuneration philosophy of paying according to the position, ability and performance, the Company encourages employees to steadily achieve and exceed the ability and caliber requirements of the positions through self-improving to gain corresponding remuneration treatment. As required by the P.R.C. government, the Company provides employees with social security and housing fund. At the same time, the Company established a variety of benefit plans for its employees, including corporate annuities to meet the diverse needs of different employee groups.

Financial Statements

INTERNATIONAL AUDITOR'S INDEPENDENT REVIEW REPORT

To the members of New China Life Insurance Company Ltd.

(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements, set out on pages 45 to 116, which comprise the interim condensed consolidated statement of financial position of New China Life Insurance Company Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards, or accept liability to, any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
28 August 2018

Condensed Consolidated Statement of Financial Position

As at 30 June 2018 (All amounts in RMB millions unless otherwise stated)

	Notes	As at 30 June 2018 Unaudited	As at 31 December 2017
ASSETS			
Property, plant and equipment		10,119	8,517
Investment properties		5,179	4,741
Intangible assets		1,805	1,831
Investments in associates and joint ventures	7	4,867	4,896
Debt financial assets		461,839	463,468
– Held-to-maturity	8(1)	210,261	206,321
– Available-for-sale	8(2)	191,386	194,379
– At fair value through profit or loss	8(3)	2,502	1,168
– Loans and receivables	8(4)	57,690	61,600
Equity financial assets		125,623	131,370
– Available-for-sale	8(2)	119,302	126,006
– At fair value through profit or loss	8(3)	6,321	5,364
Term deposits	8(5)	56,890	41,809
Statutory deposits		915	915
Policy loans		29,295	27,000
Financial assets purchased under agreements to resell		2,192	2,872
Accrued investment income		8,848	7,173
Premiums receivable		4,013	2,338
Deferred tax assets	19	1,041	36
Reinsurance assets		2,296	2,195
Other assets		3,607	2,302
Cash and cash equivalents		37,146	8,812
Total assets		755,675	710,275

The notes on pages 51 to 116 form an integral part of the interim condensed consolidated financial statements.

Section 8

Financial Statements

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2018 (All amounts in RMB millions unless otherwise stated)

	Notes	As at 30 June 2018 Unaudited	As at 31 December 2017
LIABILITIES AND EQUITY			
Liabilities			
Insurance contracts			
Long-term insurance contract liabilities	9	581,068	573,170
Short-term insurance contract liabilities			
– Outstanding claims liabilities	9	897	827
– Unearned premiums liabilities	9	2,062	1,280
Investment contracts	10	37,548	33,928
Borrowings	11	4,000	4,000
Financial liabilities at fair value through profit or loss		117	9
Financial assets sold under agreements to repurchase	12	48,187	19,925
Benefits, claims and surrenders payable		3,988	3,176
Premiums received in advance		200	1,941
Reinsurance liabilities		353	237
Provisions	13	29	29
Other liabilities		10,122	6,624
Current income tax liabilities		1,263	1,352
Deferred tax liabilities	19	54	54
Total liabilities		689,888	646,552
Shareholders' equity			
Share capital	14	3,120	3,120
Reserves	15	31,800	33,395
Retained earnings		30,858	27,200
Equity attributable to owners of the parent		65,778	63,715
Non-controlling interests		9	8
Total equity		65,787	63,723
Total liabilities and equity		755,675	710,275

The notes on pages 51 to 116 form an integral part of the interim condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

		For the six months ended 30 June	
	Notes	2018 Unaudited	2017 Unaudited
REVENUES			
Gross written premiums and policy fees	16	67,902	61,273
Less: premiums ceded out		(876)	(636)
Net written premiums and policy fees		67,026	60,637
Net change in unearned premiums liabilities		(709)	(454)
Net premiums earned and policy fees		66,317	60,183
Investment income	17	16,307	15,893
Other income		343	187
Total revenues		82,967	76,263
BENEFITS, CLAIMS AND EXPENSES			
Insurance benefits and claims			
Claims and net change in outstanding claims liabilities		(1,093)	(696)
Life insurance death and other benefits		(46,866)	(44,613)
Increase in long-term insurance contract liabilities		(11,960)	(8,610)
Policyholder dividends resulting from participation in profits		(35)	–
Investment contract benefits		(631)	(607)
Commission and brokerage expenses		(8,657)	(8,796)
Administrative expenses	18	(5,300)	(6,949)
Other expenses		(237)	(272)
Total benefits, claims and expenses		(74,779)	(70,543)
Share of profits and losses of associates and joint ventures		221	118
Finance costs		(661)	(959)
Profit before income tax		7,748	4,879
Income tax expense	19	(1,948)	(1,642)
Net profit for the period		5,800	3,237
Net profit for the period attributable to:			
– Owners of the parent		5,799	3,237
– Non-controlling interests		1	–
Earnings per share (RMB)			
Basic	20	1.86	1.04
Diluted	20	1.86	1.04

The notes on pages 51 to 116 form an integral part of the interim condensed consolidated financial statements.

Section 8

Financial Statements

Condensed Consolidated Statement of Comprehensive Income (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

	For the six months ended 30 June	
	2018 Unaudited	2017 Unaudited
Net profit for the period	5,800	3,237
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Available-for-sale financial assets		
Gains/(Losses) arising from fair value changes	(7,542)	2,831
Gains transferred to profit or loss from other comprehensive income	36	(687)
Impairment transferred to profit or loss from other comprehensive income	489	716
Changes in liabilities for insurance and investment contracts arising from net unrealized gains	4,248	(1,837)
Currency translation differences	2	(5)
Share of other comprehensive income of associates and joint ventures under the equity method and the effect on liabilities for insurance and investment contracts	(40)	83
Income tax relating to components of other comprehensive income	703	(277)
Total other comprehensive income for the period, net of tax	(2,104)	824
Total comprehensive income for the period	3,696	4,061
Total comprehensive income for the period attributable to:		
– Owners of the parent	3,695	4,061
– Non-controlling interests	1	–

The notes on pages 51 to 116 form an integral part of the interim condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

	For the six months ended 30 June 2018 (Unaudited)					
	Attributable to owners of the parent				Non-controlling Interests	Total equity
	Share capital	Reserves	Retained earnings	Total		
As at 1 January 2018	3,120	33,395	27,200	63,715	8	63,723
Net profit for the period	–	–	5,799	5,799	1	5,800
Other comprehensive income	–	(2,104)	–	(2,104)	–	(2,104)
Total comprehensive income	–	(2,104)	5,799	3,695	1	3,696
Others	–	(10)	–	(10)	–	(10)
Dividends paid	–	–	(1,622)	(1,622)	–	(1,622)
Appropriation to reserves	–	519	(519)	–	–	–
Total transactions with owners	–	519	(2,141)	(1,622)	–	(1,622)
As at 30 June 2018	3,120	31,800	30,858	65,778	9	65,787

	For the six months ended 30 June 2017 (Unaudited)					
	Attributable to owners of the parent				Non-controlling Interests	Total equity
	Share capital	Reserves	Retained earnings	Total		
As at 1 January 2017	3,120	31,646	24,352	59,118	7	59,125
Net profit for the period	–	–	3,237	3,237	–	3,237
Other comprehensive income	–	824	–	824	–	824
Total comprehensive income	–	824	3,237	4,061	–	4,061
Others	–	40	–	40	–	40
Dividends paid	–	–	(1,497)	(1,497)	–	(1,497)
Total transactions with owners	–	–	(1,497)	(1,497)	–	(1,497)
As at 30 June 2017	3,120	32,510	26,092	61,722	7	61,729

The notes on pages 51 to 116 form an integral part of the interim condensed consolidated financial statements.

Section 8

Financial Statements

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

	For the six months ended 30 June	
	2018 Unaudited	2017 Unaudited
Operating activities		
Cash generated from operating activities	6,624	(2,177)
Tax paid	(2,489)	(2,030)
Net cash inflow/(outflow) from operating activities	4,135	(4,207)
Investing activities		
Cash received/(paid) for investing activities, net	(16,769)	3,728
Acquisition of a subsidiary, net of cash acquired	9	–
Proceeds from disposal of property, plant and equipment, intangible assets and other assets	1	1
Purchases of property, plant and equipment, intangible assets and other assets	(3,354)	(604)
Interest received	12,261	14,320
Dividends received	2,961	2,340
Financial assets purchased under agreements to resell, net	620	(4,079)
Net cash inflow/(outflow) from investing activities	(4,271)	15,706
Financing activities		
Capital injected into subsidiaries by non-controlling interests	110	–
Financial assets sold under agreements to repurchase, net	28,306	(10,032)
Net cash inflow/(outflow) from financing activities	28,416	(10,032)
Effects of exchange rate changes on cash and cash equivalents	54	(118)
Cash and cash equivalents at beginning of period	8,812	14,230
Cash and cash equivalents at end of period	37,146	15,579
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	37,146	15,079
Short-term bank deposits	–	500
Cash and cash equivalents at end of period	37,146	15,579

The notes on pages 51 to 116 form an integral part of the interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

1 BACKGROUND AND PRINCIPAL ACTIVITIES

New China Life Insurance Company Ltd. (the “Company”) was established as a joint stock limited company in September 1996 in Beijing, the People’s Republic of China (the “PRC”) with the authorization of the State Council of the PRC (the “State Council”) and the approval by the People’s Bank of China. The Company’s initial registered capital on the date of incorporation was Renminbi (“RMB”) 500 million. The registered capital was increased to RMB1,200 million in December 2000 and further increased to RMB2,600 million in March 2011, with the approval of the former China Insurance Regulatory Commission (the “former CIRC”). In December 2011, the Company completed its initial public offering of 158,540,000 shares of A share in the Shanghai Stock Exchange, and issued 358,420,000 shares of H share on the Hong Kong Stock Exchange. In January 2012, the Company exercised the right of H share overallotment in overseas markets, and issued 2,586,600 shares of H shares of the over-allotment shares. Upon the approval of the former CIRC, the Company’s registered capital was increased to RMB3,120 million. The address of the Company’s registered office is No.1 East Hunan Road, Yanqing District, Beijing, the PRC.

The business scope of the Company is: life insurance in RMB and foreign currencies (including various life insurance, health insurance, and accident and casualty insurance); acting as an agent for domestic and foreign insurance institutions for insurance, verification and claim settlement; insurance consulting; and engaging in capital operations in accordance with relevant regulations. There has not been any major change of business scope of the Company during the reporting period.

As at 30 June 2018, the Company has equity interests in subsidiaries and consolidated structured entities as set out in Note 26. The Company, its subsidiaries and its consolidated structured entities are hereinafter collectively referred to as the “Group”.

These interim condensed consolidated financial statements have been reviewed but not audited.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. The condensed consolidated interim financial information should be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The accounting policies applied are consistent with those of the consolidated annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except for the adoption of new accounting standards and amendments effective as at 1 January 2018.

All IFRSs that remain in effect which are relevant to the Group have been applied except for new accounting standards and amendments that are effective but temporary exemption is applied by the Group.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2018

Standards/Amendments	Content
IFRS 2 Amendments	<i>Classification and Measurement of Share-based Payment Transactions</i>
IFRS 4 Amendments	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
IFRS 15 Amendments	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i>
IFRIC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>
IAS 40 Amendments	<i>Transfers of Investment Property</i>
Annual Improvements 2014-2016 Cycle	<i>Amendments to IFRS 1 and IAS 28</i>

IFRS 2 Amendments – Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Since the Group has no share-based payment transaction, these amendments have had no impact on the Group's consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2018 (Continued)

IFRS 4 Amendments – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

Amendments to IFRS 4, address issues arising from the different effective dates of IFRS 9 and IFRS 17. The amendments introduce two alternative options that allow entities issuing contracts within the scope of IFRS 4 for the adoption of IFRS 9, notably a temporary exemption and an overlay approach. The temporary exemption enables entities whose activities are predominantly connected with insurance to defer the implementation date of IFRS 9 until the earlier of the effective date of the new insurance contracts standard and annual reporting periods beginning on or after 1 January 2021. The overlay approach allows entities applying IFRS 9 from 2018 onwards to remove from profit or loss the effects arising from the adoption of IFRS 9 and reclassify the amounts to other comprehensive income for designated financial assets. An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018, or apply the overlay approach when it applies IFRS 9 for the first time.

The Group performed an assessment of the amendments, reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2015, for the reason that:

- (i) the carrying amount of its liabilities arising from contracts within the scope of IFRS 4, which includes any deposit components or embedded derivatives unbundled from insurance contracts is significant compared to the total carrying amount of all its liabilities;
- (ii) the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2018 (Continued)

IFRS 4 Amendments – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Continued)

Since 31 December 2015, there had been no significant change in the activities of the Group that requires reassessment. The Group has applied the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

The associates of the Group, China Jinmao Holdings Group Limited (“China Jinmao”) and New China Capital International Management Limited (“New China Capital International”) adopted IFRS 9 Financial instruments for the financial year beginning on 1 January 2018. The Group elected not to make adjustments for the consistency with accounting policies when using equity method.

The additional disclosures about the temporary exemption from IFRS 9 are as follows:

(i) Fair value of financial assets

The table below presents the fair value of the following groups of financial assets (Note) under IFRS 9 as at 30 June 2018 and fair value changes for the six months ended 30 June 2018:

	Fair value as at 30 June 2018 Unaudited	Fair value changes for the six months ended 30 June 2018 Unaudited
Held for trading financial assets (A)	8,823	(260)
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	–	–
Non-Class-A and Non-Class-B financial assets		
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”) (C)	367,032	8,405
– Financial assets with contractual terms that do not meet SPPI terms (D)	219,792	(7,365)
Total	595,647	780

Note: Only including financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets and loans and receivables, all other financial assets held by the Group are financial assets that meet SPPI terms.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2018 (Continued)

IFRS 4 Amendments – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Continued)

(ii) Credit risk exposure

For the financial assets that meet SPPI criterion classified as C, the credit rating of financial assets is assessed by qualified rating agencies in the PRC except for overseas bonds. The credit risk exposure is listed below:

Credit rating of financial assets that meet SPPI criterion	Carrying amount as at 30 June 2018 Unaudited
AAA	352,416
AA+	8,482
AA	2,100
Total	362,998

For the overseas bonds that meet SPPI criterion classified as C, Moody's credit rating is used, since there is no domestic rating. The credit risk exposure is listed below:

Credit rating of financial assets that meet SPPI criterion	Carrying amount as at 30 June 2018 Unaudited
Baa1	66
Baa2	527
Ba1	33
Total	626

	As at 30 June 2018 (Unaudited)	
	Carrying amount	Fair value
Financial assets that do not have low credit risk (Note)	10,615	10,784

Note: Financial assets that do not have low credit risk refer to financial assets with either credit rating below AAA or Moody's credit rating below Baa3.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2018 (Continued)

IFRS 15 – Revenue from Contracts with Customers and IFRS 15 Amendments

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. IFRS 15 and the amendments are effective for annual periods beginning on or after 1 January 2018.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

Given insurance contracts are scoped out of IFRS 15, the main impacts of the new standard are on the accounting treatment of income from investment management and other services. Therefore, the adoption of IFRS 15 has had no significant impact on the Group's consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2018 (Continued)

IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has had no significant impact on the Group's consolidated financial statements.

IAS 40 Amendments – Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments have had no impact on the Group's consolidated financial statements.

Annual Improvements 2014-2016 Cycle - Improvements Amendments to IFRS 1 and IAS 28

IFRS 1 *First-time Adoption of International Financial Reporting Standards* deletes the short-term exemptions for first-time adopters because the reliefs provided in the exemptions are no longer applicable. These amendments do not have any impact on the Group's consolidated financial statements.

IAS 28 *Investments in Associates and Joint Ventures* clarifies that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries when applying the equity method. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (i) the investment entity associate or joint venture is initially recognized; (ii) the associate or joint venture becomes an investment entity; and (iii) the investment entity associate or joint venture first becomes a parent. These amendments have had no impact on the Group's consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

- (b) **New accounting standards and amendments that are effective but temporary exemption is applied by the Group for the financial year beginning on 1 January 2018**

Standards/Amendments	Content
IFRS 9	<i>Financial Instruments</i>

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, bringing together all phases of the financial instruments project to replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. According to the assessment performed by the Group, the Group reached the conclusion that its activities are predominantly connected with insurance. The Group has applied the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018. Based on the current assessment, the Group expects the adoption of IFRS 9 will have a material impact on the Group's consolidated financial statements.

Classification and measurement

IFRS 9 requires that the Group classifies debt instruments based on the combined effect of application of business model (hold to collect contractual cash flow, hold to collect contractual cash flow and sell financial assets or other business model) and contractual cash flow characteristics (sole payments of principal and interest on the principal amount outstanding or not). Debt instruments not giving rise to cash flows that are sole payments of principal and interest on the principal amount outstanding would be measured at fair value through profit or loss. Other debt instruments giving rise to cash flows that are sole payments of principal and interest on the principal amount outstanding would be measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"), based on their respective business models. The Group is in the process of analyzing the contractual cash flow characteristics of financial assets and assessing the application of business model.

Equity instruments would generally be measured at fair value through profit or loss unless the Group elects to measure at FVOCI for certain equity investments not held for trading. This will result in unrealized gains and losses on equity instruments currently classified as available-for-sale securities being recorded in income going forward. Currently, these unrealized gains and losses are recognized in other comprehensive income ("OCI"). Should we elect to record equity investments at FVOCI, gains and losses would never be recognized in income except for the received dividends not representing a recovery of part of the investment cost.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(b) New accounting standards and amendments that are effective but temporary exemption is applied by the Group for the financial year beginning on 1 January 2018 (Continued)

IFRS 9 – Financial Instruments (Continued)

Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group is in the process of developing and testing the key models required under IFRS 9 and analyzing the impacts on the collective provision.

Hedge accounting

The Group does not apply the hedge accounting currently, so the new hedge accounting model under IFRS 9 has no impact on the Group's consolidated financial statements.

(c) New accounting standards and amendments issued but are not effective for the financial year beginning on 1 January 2018

Standards/Amendments	Content	Effective for annual periods beginning on or after
IFRS 9 Amendments	<i>Prepayment Features with Negative Compensation</i>	1 January 2019
IFRS 16	<i>Leases</i>	1 January 2019
IFRIC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>	1 January 2019
IFRS 17	<i>Insurance Contracts</i>	1 January 2021
IFRS 10 and IAS 28 Amendments	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Note
IAS 28 Amendments	<i>Long term interest in associates and joint ventures</i>	1 January 2019
Annual Improvements 2015-2017 Cycle	<i>Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23</i>	1 January 2019

Note: In December 2015, the IASB postponed the effective date of this amendment pending the outcome of its research on the equity method of accounting.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Judgments, estimates and assumptions made by the Group during the preparation of the condensed consolidated interim financial information would affect the reported amounts and disclosures of assets and liabilities, and the disclosure of contingent liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including reasonable expectation and judgment of future events based on objective circumstantial evidences. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Significant judgments

(1) *Unbundling and classification of hybrid contracts*

The Group makes significant judgments on whether a written policy contains both an insurance component and a deposit component and whether the insurance component and deposit component are distinct and separately measurable. The result of such judgment affects the unbundling of insurance contracts.

In addition, the Group makes significant judgments on whether the contract transfers insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing significant insurance risk tests. The result of such judgment affects the classification of insurance contracts. Whether to unbundle a contract and different contract classifications would affect the accounting treatment and the Group's financial position and operating results.

(2) *Testing the significance of insurance risk*

When determining whether the contracts (or policies) transfer significant insurance risk, the Group considers: (i) annuity contracts that transfer longevity risk are treated as insurance contracts; (ii) for non-annuity contracts, if the insurance risk ratio is greater than or equal to 5% at certain points of time during the duration of the contracts, they are treated as insurance contracts; the insurance risk ratio is the percentage of the benefits to be paid when the insured event occurs divided by the amounts to be paid when the insured event does not occur minus 100%.

When determining whether reinsurance policies transfer significant insurance risk, the Group considers thoroughly the commercial substance and other relevant contracts and agreements, and if the insurance risk ratio of reinsurance policies is greater than 1%, they are treated as reinsurance contracts. The insurance risk ratio of reinsurance policies is obtained by comparing the present value of probability-weighted expected loss with the present value of expected reinsurance premiums. If the reinsurance policies obviously transfer significant insurance risk, the Group directly recognizes them as reinsurance contracts.

For the purpose of testing the significance of insurance risk, contracts of a similar nature are grouped together. Through considering the risk distribution and characteristics, the Group selects sufficient representative samples to test the significance of insurance risk. If most samples transfer significant insurance risk, all contracts in the group are treated as insurance contracts.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Significant judgments (Continued)

(3) *Operating lease – As the lessor*

The Group, as the lessor, signs agreements with lessees when the investment properties are leased. According to the term of the lease agreement, the Group retains the substantially all the rewards and risks of the ownership of investment properties. So the Group accounts for the lease as an operating lease.

Estimation uncertainty

(1) *Estimate of future benefit payments and premiums arising from long-term insurance contracts*

The determination of liabilities under long-term insurance contracts is based on estimates of future benefit payments, premiums and relevant expenses made by the Group, and the risk margins. Assumptions about mortality rates, morbidity rates, lapse rates, discount rates, policy dividend and expenses are made based on the most recent historical analysis and current and future economic conditions. The liability uncertainty arising from uncertain future benefits payments, premiums and relevant expenses is reflected in the risk margin.

The residual margin relating to the long-term insurance contracts is amortized over the expected life of the contracts, based on the assumptions (mortality rates, morbidity rates, lapse rates, discount rates, policy dividend and expenses assumptions) that are determined at inception of the contracts and remain unchanged for the duration of the contracts.

The judgments exercised in the valuation of insurance contract liabilities (including contracts with discretionary participating feature ("DPF")) affect the amounts recognized in the condensed consolidated interim financial information as insurance contract benefits and insurance contract liabilities. The various assumptions are described in Note 9.

(2) *Fair value of financial assets*

The Group's principal investments are debt financial assets, equity financial assets and term deposits. The significant judgments and estimates are those associated with the recognition of impairment and the determination of fair value.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Estimation uncertainty (Continued)

(2) Fair value of financial assets (Continued)

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal (or most advantageous) market at the measurement date under current market conditions. The methods and assumptions used by the Group in estimating the fair value of financial assets and liabilities are:

- Debt financial assets: Fair values are generally based on quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using either prices observed in latest transactions or from current bid prices of comparable investments, or through valuation techniques when there is no active market. The fair value of the Group's debt financial assets is based on the closing price of the last trading day of the period released by the Securities Exchange and national inter-bank bond market or the price released by China Central Depository & Clearing Co., Ltd.
- Equity financial assets: Fair values are generally based on quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using an appropriate price earnings ratio, or a modified price or cash flow ratio reflecting the specific circumstances of the issuer. The fair value of the Group's equity financial assets is based on the closing price of the last trading day of the period released by the Securities Exchange and funding companies or the net asset value of the last trading day of the period.
- Term deposits, statutory deposits, financial assets purchased under agreements to resell, financial assets sold under agreements to repurchase, policy loans, etc.: Fair values approximate to their carrying amounts.
- Other financial assets: The fair values of other financial assets, including investment clearing account and litigation deposit, approximate to their carrying amounts.

(3) Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognizes movements of their fair values in equity. When the fair value declines, management makes judgements about the decline in value to determine whether there is an impairment that should be recognized in profit or loss.

(4) Deferred income tax assets

Deferred income tax assets are recognized for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. Significant judgment is required to estimate the amount and timing of future taxable profit so as to determine, together with the tax planning strategies, the amount of deferred income tax assets to be recognized.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Estimation uncertainty (Continued)

(5) Contingencies and provisions

In the ordinary course of business, the Group may be involved in some contingencies including lawsuits and disputes. The adverse effects of the contingencies mainly include claims from insurance policies and other operations, including but not limited to the following: Former Chairman Mr. GUAN Guoliang Irregularities as described in Note 3(6) below; and pending lawsuits and disputes (Note 13). Provisions have been made on those claims when losses are probable and can be reasonably estimated taking into consideration legal advice. No provision has been made for events whose outcome cannot be reasonably estimated or contingencies that are unlikely to happen. Because contingency events develop over time, provisions recognized currently may be significantly different from final settlement amounts actually paid.

(6) Former Chairman Mr. GUAN Guoliang Irregularities

The former chairman Mr. GUAN Guoliang of the Company, who served as Chairman from 1998 to 2006 (the "Former Chairman Mr. GUAN Guoliang"), was allegedly involved in the misuse of insurance funds and other violations of regulations (the "Former Chairman Mr. GUAN Guoliang Irregularities") and was sentenced by the Court for these irregularities. The Company is proactively engaged in the recovery actions in connection with these irregularities. This financial information is prepared based on the information available to and the best estimates made by the Company as well as the following important assumptions, developments and judgments.

The Former Chairman Mr. GUAN Guoliang, without proper authorization, pledged the Company's bonds and conducted repurchase transactions ("Off-balance Sheet Repurchase Transactions"). Funds were misappropriated through bank accounts which were not reflected in the Company's financial records (the "Off-balance Sheet Accounts") and used for unauthorized lending. The Company was informed of these Off-balance Sheet Repurchase Transactions after the regulator's investigation. In addition, the Company paid in aggregate RMB2,910 million to settle these transactions as they became due.

In 2007, the Company received funds of RMB1,455 million from the Insurance Security Fund. According to the Insurance Security Fund, certain former shareholders of the Company transferred their equity interests in the Company to the Insurance Security Fund. The relevant amounts relating to these share transfers were paid to the Company to partially settle the amounts owed to the Company. In addition, in March 2011, the Company received approximately RMB354 million from New Industry Investment Co., Ltd. ("New Industry"). The Company considered the receipt was received as part of the settlement of Off-balance Sheet Repurchase Transactions.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Estimation uncertainty (Continued)

(6) Former Chairman Mr. GUAN Guoliang Irregularities (Continued)

In 2015, the Company received RMB170 million plus additional interest accrued during the settlement period from New Industry. The amount was related to the 170 million shares of China Minzu Securities Co., Ltd. which were entrusted by New Industry in 2001 and 2002. According to the information available to the Company, the Company believed the amounts received from New Industry should form part of the receivables of the Former Chairman Mr. GUAN Guoliang Irregularities.

To settle fund transactions and clarify the debtor-creditor relationship between the Company and Beijing Tianhuan Real Estate Development Co., Ltd. ("Tianhuan Real Estate") during the term of office of Former Chairman Mr. GUAN Guoliang, the Company filed a lawsuit with Chongqing Municipal Higher People's Court against Tianhuan Real Estate and New China Trust Co., Ltd. ("New China Trust") on 18 March 2013. On 25 December 2013, Chongqing Municipal Higher People's Court ruled that Tianhuan Real Estate should repay the principal of RMB575 million and related interest to the Company while New China Trust was not held responsible. Tianhuan Real Estate refused to accept the first-instance ruling and has appealed to the Supreme People's Court.

On 13 May 2014, the Supreme People's Court rejected Tianhuan Real Estate's appeal and upheld the verdict. On 8 July 2014, Chongqing Municipal Higher People's Court issued final order to Tianhuan Real Estate for payment. On 24 November 2015, Beijing No.2 Intermediate People's Court deducted RMB16 million attributable to Tianhuan Real Estate from the bankruptcy of Shenzhen Huirun Co., Ltd. and issued a plan. On 25 May 2016, the Company received RMB16 million.

The Company does not have complete information regarding these Off-balance Sheet Repurchase Transactions or cash flows to or from those Off-balance Sheet Accounts. The Company is not able to assess the nature of these transactions, or clearly identify receivable or payable balances between the Company and those aforementioned former shareholders. The Company recorded funds received and paid described above as a net amount of RMB915 million as receivable from Off-balance Sheet Repurchase Transactions under "Other Assets". The Company has been in the process of recovering the abovementioned amounts through legal actions. The Company's management anticipated there has been significant uncertainty in recovering the balance and a provision of RMB915 million was made as at 30 June 2018 (as at 31 December 2017: RMB915 million).

(7) Taxation

The Group pays value added tax, corporate income tax and related surcharges in various localities. Due to the uncertainty of final tax treatment for various transactions during the normal course of business, the Group needs to exercise significant judgment when determining tax expenses. The Group recognizes tax liabilities based on estimates of whether there will be additional tax payments resulting from tax inspection. If there is any difference between the final result and previously recorded amounts, the difference will impact current tax and deferred tax.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

4 CHANGE OF SIGNIFICANT ACCOUNTING ESTIMATES

Insurance contract liabilities are calculated using various actuarial assumptions, including assumptions on the discount rates, mortality rates, morbidity rates, lapse rates, policy dividend and expenses assumption. These assumptions are determined by the Group on the basis of information obtained at the end of the reporting period. The Group resets these assumptions, when necessary, based on current information available at the end of the reporting period. Variations of related insurance contract reserves due to changes in these assumptions are recognized in the condensed consolidated statement of comprehensive income. For the six months ended 30 June 2018, long-term insurance contract liabilities decreased by RMB147 million, and profit before income tax increased by RMB147 million due to the change in accounting estimates.

The above change in accounting estimates has been approved by the Board of Directors of the Company on 28 August 2018.

5 RISK MANAGEMENT

The condensed consolidated interim financial information does not include all risk management information and disclosures required in the consolidated annual financial statements; they should be read in conjunction with the Group's consolidated annual financial statements for the year ended 31 December 2017. There have been no changes in the Group's risk management process or in relevant risk management policies since 31 December 2017.

(1) Insurance risk

(a) *Types of insurance risk*

The risk under any one insurance contract is the possibility that an insured event occurs and there is uncertainty about the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This occurs when the frequency or severity of claims and benefits exceeds the estimates. Insured events are random and the actual number of claims and the amount of benefits paid will vary each year from estimates established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the more dispersive the risk will be, and the smaller the relative variability about the expected outcome will be. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of policies to reduce the variability of the expected outcome.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(a) *Types of insurance risk (Continued)*

The Group offers long-term life insurance, critical illness insurance, annuity, accident and short-term health insurance products. Social and economic development, widespread changes in lifestyle, epidemics and medical technology development could have significant influence on the Group's insurance business. Insurance risk is also affected by policyholders' rights to terminate the contract, reduce premiums, refuse to pay premiums or exercise annuity conversion rights, etc. Thus, insurance risk is also subject to policyholders' behaviors and decisions.

The Group manages insurance risks through underwriting strategy, reinsurance agreements and claim management. The Group's reinsurance agreements include ceding on quota share basis, surplus basis or catastrophe excess of loss. The reinsurance agreements cover most of the products with risk responsibilities. These reinsurance agreements spread insured risk and stabilize financial results of the Group. However, the Group's responsibilities for direct insurance to policyholders are not relieved because of credit risk associated with the failure of reinsurance companies to fulfil their responsibilities.

(b) *Concentration of insurance risk*

Currently, the Group's businesses are all in the PRC and insurance risk in each area has insignificant differences.

(2) Financial risk

The Group's key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund obligations arising from the Group's insurance and investment contracts. The most important components of financial risk are market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. Risk management department, investment management department, accounting department and actuarial department are in close cooperation to identify, evaluate and avoid financial risks.

The Group manages financial risk by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any specific industry or issuer. The structure of the main investment portfolio held by the Group is disclosed in Note 8.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's financial assets impacted greatly by interest rate risk are principally comprised of term deposits and debt financial assets. Changes in the level of interest rates can have a significant impact on the Group's overall investment return. Many of the Group's insurance policies offer guaranteed returns to policyholders. These guarantees expose the Group to interest rate risk. The Group tests and manages interest rate risk through adjustments to portfolio asset allocation, and, to the extent possible, by monitoring the mean duration of its assets and liabilities.

(ii) Price risk

Price risk arises mainly from the price volatility of equity financial assets held by the Group. Prices of equity financial assets are determined by market forces. Most of the equity financial assets of the Group are in Chinese capital markets. The Group is subject to increased price risk largely because the PRC's stock markets are relatively volatile.

The Group manages price risk by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any specific industry or issuer.

(iii) Currency risk

Currency risk arises from the volatility of fair values or future cash flows of financial instruments resulting from changes in foreign currency exchange rates. The Group's currency risk exposure mainly arises from cash and cash equivalents, debt investments and equity investments denominated in currencies other than the functional ones, such as the United States dollar or the Hong Kong dollar, or European dollar.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(b) Credit risk

Credit risk is the risk that one party in a financial transaction or the issuer of a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. In terms of investment vehicles, a significant portion of the portfolio of the Group is government bonds, government agency bonds, corporate bonds guaranteed by state-owned commercial banks and large industrial groups and bank deposits with state-owned or other national commercial banks, trust products, bank wealth investments products, asset funding plans, asset management products and debt investment plans. In term of credit risk, the Group mainly uses credit concentration as a monitoring measure in order to ensure that the whole credit risk exposure is manageable.

In response to counterparties' credit risk, the Group mainly took the following measures: (1) Internal rating system was strictly implemented, and credit investment varieties were strictly controlled. (2) Accounting classification of investment varieties was clearly defined in the investment guidelines and assets with high credit risk were prevented from being classified as held-to-maturity. (3) The bond market value was monitored, and the possible credit defaults were analyzed and evaluated in order to enhance the predictability. In terms of counterparties, the majority of the Group's counterparties are state policy-related banks, state-owned banks, other national commercial banks or stated-owned asset management companies. Therefore, the Group's overall exposure to credit risk is relatively low.

Credit risk exposure

The carrying amount of financial assets on the Group's condensed consolidated statement of financial position represents the maximum credit exposure without taking into account any collateral held or other credit enhancements attached.

Collateral and other credit enhancements

Financial assets purchased under agreements to resell are pledged by counterparts' debt financial assets of which the Group could take the ownership should the owner of the collateral defaults. Policy loans are pledged by their policies' cash value as collateral according to the terms and conditions of policy loan contracts and policy contracts signed between the Group and policyholders. The majority of debt investment plans and trust products are guaranteed by third parties, or use the budgeted financial income of the central government as the source of funding for repayment.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(b) Credit risk (Continued)

Credit quality

The Group's debt financial assets include government bonds, central bank bills, financial bonds issued by state policy-related banks, financial institution bonds, corporate bonds, subordinated bonds, trust products, bank wealth investments products, asset funding plans, asset management products and debt investment plans. The credit rating of debt financial assets is assessed by qualified rating agencies in the PRC at the time of their issuance. Most of the Group's bank deposits are with the four largest state-owned commercial banks and other national commercial banks in the PRC. The majority of the Group's reinsurance agreements are with state-owned reinsurance companies or large international reinsurance companies. The Group believes these commercial banks and reinsurance companies have high credit quality. The trustees of trust products or the asset managers of bank wealth investments products, asset funding plans, asset management products and debt investment plans are well-known trust companies, asset management companies and large joint-stock commercial banks in the PRC.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not have access to sufficient funds to meet its liabilities as they become due. In the normal course of business, the Group attempts to match investment assets to insurance liabilities through asset-liability management to reduce liquidity risk (Note 5 (2) (e)).

(d) **Risks relating to investments in trust products, bank wealth investment products, debt investment plans, equity investment plans, asset funding plans, asset management products, private equity and other unlisted equity investments**

The Group's investments in trust products, bank wealth investment products, debt investment plans, equity investment plans, asset funding plans, asset management products, private equity and other unlisted equity investments are subject to the terms and conditions of the respective offering documents. The Group makes investment decisions after extensive due diligence of those underlying trust products, bank wealth investment products, debt investment plans, equity investment plans, asset funding plans, asset management products, private equity and other unlisted equity investments, their strategies and the overall quality of the underlying assets' managers. The Group continuously monitors the overall quality of those investments mentioned above after initial investment, and periodically reviews their extension, early redemption, liquidity, default risk and changes in market, economic or company specific conditions.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(d) *Risks relating to investments in trust products, bank wealth investment products, debt investment plans, equity investment plans, asset funding plans, asset management products, private equity and other unlisted equity investments (Continued)*

The carrying amounts of investments in those trust products, bank wealth investment products, debt investment plans, equity investment plans, asset funding plans, asset management products, private equity and other unlisted equity investments are the best representation of the Group's maximum exposure to loss from those investments.

(e) *Matching risk of assets and liabilities*

The Group uses asset-liability management techniques to manage assets and liabilities. The techniques used include: scenario analysis method, cash flow matching method and immunity method. The Group uses the above techniques, through multi-angles, to understand the existing risk and the complex relationship, considering the timing and amount of future cash outflow and attributes of liabilities, to comprehensively and dynamically manage the Group's assets and liabilities and its solvency. The Group takes measures to enhance its solvency, including capital contribution by shareholders, issuing subordinated bonds, arranging reinsurance, improving the performance of branches, optimizing business structure, and establishing a competitive cost structure.

(3) Capital management

The Company's objectives for managing capital, which is actual capital calculated as the difference between admitted assets and admitted liabilities as defined by the China Bank Insurance Regulatory Commission (the "CBIRC"), are to comply with the insurance capital requirements of the CBIRC to meet the minimum capital and safeguard the Company's ability to continue as a going concern from current and future capital management so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital requirements by assessing shortfalls, if any, between actual capital and minimum capital on a regular basis. The Company continuously and proactively monitors the business structure, and the asset quality and allocation so as to enhance the profitability in relation to solvency margin.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(3) Capital management (Continued)

The table below summarises the core solvency margin ratio, comprehensive solvency margin ratio, core capital, actual capital and minimum capital of the Company:

	As at 30 June 2018 Unaudited	As at 31 December 2017
Core capital	206,913	192,528
Actual capital	210,913	196,528
Minimum capital	77,669	69,773
Core solvency margin ratio	266.40%	275.93%
Comprehensive solvency margin ratio	271.55%	281.67%

According to the results of the solvency ratios mentioned above, and the unquantifiable evaluation results of operational risk, strategic risk, reputational risk and liquidity risk, the CBIRC evaluates the comprehensive solvency of insurance companies and supervises insurance companies in four categories:

- (i) Category A: solvency ratios meet the requirements, and the operational risk, strategic risk, reputational risk and liquidity risk are low;
- (ii) Category B: solvency ratios meet the requirements, and the operational risk, strategic risk, reputational risk and liquidity risk are relatively low;
- (iii) Category C: solvency ratios do not meet the requirements or solvency ratios meet the requirements but one or several risks in operation, strategy, reputation and liquidity are high;
- (iv) Category D: solvency ratios do not meet the requirements or solvency ratios meet the requirements but one or several risks in operation, strategy, reputation and liquidity are severe.

According to CBIRC C-ROSS Supervision Information System, the comprehensive risk assessment result of the Company in the first quarter of 2018 is A.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(4) Fair value hierarchy

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques.

The Group's financial assets mainly include cash and cash equivalents, financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, loans and receivables, term deposits, statutory deposits, policy loans and financial assets purchased under agreements to resell.

The Group's financial liabilities mainly include financial assets sold under agreements to repurchase, borrowings and investment contracts.

Level 1 fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can obtain at the measurement date.

Level 2 fair value is based on valuation techniques using significant inputs, other than Level 1 quoted prices, that are observable for the asset being measured, either directly or indirectly, for substantially the full term of the assets through corroboration with observable market data. Observable inputs generally used to measure the fair value of financial assets classified as Level 2 include quoted market prices for similar assets in active markets; quoted market prices in markets that are not active for identical or similar assets and other market observable inputs. This level includes the debt financial assets for which quotations are available from pricing service providers. Fair values provided by pricing service providers are subject to a number of validation procedures by management. These procedures include a review of the valuation models utilized and the results of these models, as well as the recalculation of prices obtained from pricing service providers at the end of each reporting period.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(4) Fair value hierarchy (Continued)

Under certain conditions, the Group may not receive any price from independent third party pricing service providers. In this instance, the Group may choose to apply internally developed values to the assets being measured. In such cases, the valuations are generally classified as Level 3. Key inputs involved in internal valuation are not based on observable market data, and reflect assumptions made by management based on judgments and experience.

Level 3 fair value is based on the Group's valuation models, such as discounted cash flows. The Group also considers the original transaction price, recent transactions of the same or similar instruments and completed third-party transactions in comparable instruments. It adjusts the model as deemed necessary for factors such as extension, early redemption, liquidity, default risk and changes in market, economic or company specific conditions.

The following table summarizes the quantitative inputs and assumptions used for financial instruments categorized in Level 3 of the fair value hierarchy as at 30 June 2018. The disclosure below excludes financial instruments of which the fair value approximates to the carrying amount. This is the case because of the short duration of holding of certain trust products, and the fact that the development of interest rates or similar financial variables has not led to any significant change in fair value for the six months ended 30 June 2018.

Available-for-sale financial assets	Fair value	Valuation technique	Significant unobservable inputs	Range	Relationship between unobservable inputs and fair value
Trust products	64,694	Discounted cash flow	Discount rate	4.6%~7.6%	The higher the discount rate, the lower the fair value.
Wealth investment products	64,377	Discounted cash flow	Discount rate	2.8%~5.5%	The higher the discount rate, the lower the fair value.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(4) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities measured at fair value as at 30 June 2018:

As at 30 June 2018 (Unaudited)	Inputs to fair value measurement			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Assets				
Available-for-sale financial assets				
– Equity financial assets	91,416	817	541	92,774
– Debt financial assets	194	57,162	129,030	186,386
Financial assets at fair value through profit or loss				
Held for trading				
– Equity financial assets	6,310	11	–	6,321
– Debt financial assets	1,629	873	–	2,502
Total	99,549	58,863	129,571	287,983
Liabilities				
Financial liabilities at fair value through profit or loss	–	117	–	117
Unit-linked contracts	–	168	–	168
Total	–	285	–	285

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(4) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value (Continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities measured at fair value as at 31 December 2017:

	Inputs to fair value measurement			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
As at 31 December 2017	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
– Equity financial assets	100,902	1,191	500	102,593
– Debt financial assets	848	54,045	134,486	189,379
Financial assets at fair value through profit or loss				
Held for trading				
– Equity financial assets	5,201	163	–	5,364
– Debt financial assets	404	764	–	1,168
Total	107,355	56,163	134,986	298,504
Liabilities				
Financial liabilities at fair value through profit or loss	–	9	–	9
Unit-linked contracts	–	217	–	217
Total	–	226	–	226

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(4) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value (Continued)

The Group recognized the transfers between each level at the time when transfers occurred.

The following table presents the transfers between Level 1 and Level 2 for the six months ended 30 June 2018 and for the year ended 31 December 2017:

For the six months ended 30 June 2018 (Unaudited)	Level 1	Level 2
Available-for-sale financial assets		
Equity financial assets		
– Transfer in	184	17
– Transfer out	(17)	(184)
Debt financial assets		
– Transfer in	14	50
– Transfer out	(50)	(14)
Financial assets at fair value through profit or loss		
Held for trading		
Equity financial assets		
– Transfer in	2	7
– Transfer out	(7)	(2)
For the year ended 31 December 2017	Level 1	Level 2
Available-for-sale financial assets		
Equity financial assets		
– Transfer in	399	839
– Transfer out	(839)	(399)
Debt financial assets		
– Transfer in	401	1,251
– Transfer out	(1,251)	(401)
Financial assets at fair value through profit or loss		
Held for trading		
Equity financial assets		
– Transfer in	–	12
– Transfer out	(12)	–

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(4) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value (Continued)

The above transfers are mainly caused by changes of market conditions that affect whether the Group could obtain quoted prices (unadjusted) in active markets at the balance sheet date.

There were no transfers into or out of Level 3 for the six months ended 30 June 2018 and for the year ended 31 December 2017.

The changes in Level 3 financial assets are analyzed below:

	Available-for-sale financial assets			Financial assets at fair value through profit or loss	Total
	Equity financial assets	Debt financial assets	Subtotal	Designated as at fair value through profit or loss	
1 January 2017	500	133,740	134,240	2,588	136,828
Purchase	–	78,216	78,216	–	78,216
Maturity	–	(77,470)	(77,470)	(2,588)	(80,058)
31 December 2017	500	134,486	134,986	–	134,986
1 January 2018	500	134,486	134,986	–	134,986
Purchase	41	1,077	1,118	–	1,118
Maturity	–	(6,533)	(6,533)	–	(6,533)
30 June 2018 (Unaudited)	541	129,030	129,571	–	129,571

There are no material gains or losses recognized in other comprehensive income or profit or loss for the six months ended 30 June 2018 that are attributable to level 3 financial assets held by the Group as at 30 June 2018 (as at 31 December 2017: Nil).

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(4) Fair value hierarchy (Continued)

(b) Assets and liabilities for which fair values are disclosed

The Group's financial assets and liabilities disclosed but not measured at fair value include term deposits, statutory deposits, policy loans, cash and cash equivalents, financial assets purchased under agreements to resell, held-to-maturity investments, loans and receivables, financial assets sold under agreements to repurchase, and borrowings.

The carrying amounts of financial assets and liabilities not measured at fair value approximate to their fair values, except for held-to-maturity investments, loans and receivables and borrowings, which are all categorized in Level 3.

The following tables provide the Group's assets and liabilities not measured at fair value as at 30 June 2018 and 31 December 2017:

	As at 30 June 2018 (Unaudited)			Total
	Level 1	Level 2	Level 3	
Assets				
Held-to-maturity	17,132	196,554	–	213,686
Loans and receivables	–	–	57,690	57,690
Total	17,132	196,554	57,690	271,376
Liabilities				
Borrowings	–	4,039	–	4,039
Total	–	4,039	–	4,039

	As at 31 December 2017			Total
	Level 1	Level 2	Level 3	
Assets				
Held-to-maturity	16,283	185,909	–	202,192
Loans and receivables	–	–	61,600	61,600
Investment properties	–	–	6,002	6,002
Total	16,283	185,909	67,602	269,794
Liabilities				
Borrowings	–	4,015	–	4,015
Total	–	4,015	–	4,015

The Group has not disclosed fair values for certain investment contract liabilities with DPF because fair values or fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments which will be settled with policyholders in the normal course of business.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

6 SEGMENT INFORMATION

The Group's operating segments for the six months ended 30 June 2018 are the same with the segments of the Group for the six months ended 30 June 2017 and the year ended 31 December 2017.

	For the six months ended 30 June 2018 (Unaudited)				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy fees	66,516	1,386	–	–	67,902
Less: premiums ceded out	(791)	(85)	–	–	(876)
Net written premiums and policy fees	65,725	1,301	–	–	67,026
Net change in unearned premiums liabilities	(379)	(330)	–	–	(709)
Net premiums earned and policy fees	65,346	971	–	–	66,317
Investment income	16,094	169	43	1	16,307
Including: inter-segment revenue	(1)	–	–	1	–
Other income	215	5	375	(252)	343
Including: inter-segment revenue	7	–	245	(252)	–
Total revenues	81,655	1,145	418	(251)	82,967
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(550)	(543)	–	–	(1,093)
Life insurance death and other benefits	(46,766)	(100)	–	–	(46,866)
Increase in long-term insurance contract liabilities	(11,939)	(21)	–	–	(11,960)
Policyholder dividends resulting from participation in profits	(35)	–	–	–	(35)
Investment contract benefits	(610)	(21)	–	–	(631)
Commission and brokerage expenses	(8,385)	(272)	–	–	(8,657)
Administrative expenses	(4,608)	(661)	(279)	248	(5,300)
Including: inter-segment expenses	(209)	(30)	(9)	248	–
Other expenses	(90)	(3)	(149)	5	(237)
Including: inter-segment expenses	–	–	(5)	5	–
Total benefits, claims and expenses	(72,983)	(1,621)	(428)	253	(74,779)

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

6 SEGMENT INFORMATION (Continued)

	For the six months ended 30 June 2018 (Unaudited)				
	Insurance		Others	Elimination	Total
	Individual	Group			
Share of profits and losses of associates and joint ventures	219	2	–	–	221
Finance costs	(639)	(22)	–	–	(661)
Net profit before income tax	8,252	(496)	(10)	2	7,748
Other segment information:					
Depreciation and amortization	(298)	(42)	(17)	–	(357)
Interest income	13,584	142	82	–	13,808
Impairment	(483)	(6)	–	–	(489)
Share of profits and losses of associates and joint ventures under the equity method	219	2	–	–	221
Capital expenditure	–	–	3,354	–	3,354

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

6 SEGMENT INFORMATION (Continued)

	For the six months ended 30 June 2017 (Unaudited)				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy fees	59,832	1,441	–	–	61,273
Less: premiums ceded out	(525)	(111)	–	–	(636)
Net written premiums and policy fees	59,307	1,330	–	–	60,637
Net change in unearned premiums liabilities	26	(480)	–	–	(454)
Net premiums earned and policy fees	59,333	850	–	–	60,183
Investment income	15,689	157	45	2	15,893
Including: inter-segment revenue	(2)	–	–	2	–
Other income	88	4	337	(242)	187
Including: inter-segment revenue	8	1	233	(242)	–
Total revenues	75,110	1,011	382	(240)	76,263
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(326)	(370)	–	–	(696)
Life insurance death and other benefits	(44,526)	(87)	–	–	(44,613)
Increase in long-term insurance contract liabilities	(8,560)	(50)	–	–	(8,610)
Investment contract benefits	(495)	(112)	–	–	(607)
Commission and brokerage expenses	(8,579)	(217)	–	–	(8,796)
Administrative expenses	(6,231)	(725)	(235)	242	(6,949)
Including: inter-segment expenses	(208)	(24)	(10)	242	–
Other expenses	(67)	(10)	(195)	–	(272)
Total benefits, claims and expenses	(68,784)	(1,571)	(430)	242	(70,543)

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

6 SEGMENT INFORMATION (Continued)

	For the six months ended 30 June 2017 (Unaudited)				
	Insurance		Others	Elimination	Total
	Individual	Group			
Share of profits and losses of associates and joint ventures	117	1	–	–	118
Finance costs	(782)	(177)	–	–	(959)
Net profit before income tax	5,661	(736)	(48)	2	4,879
Other segment information:					
Depreciation and amortization	(289)	(33)	(11)	–	(333)
Interest income	13,206	135	29	2	13,372
Impairment	(709)	(10)	–	–	(719)
Share of profits and losses of associates and joint ventures under the equity method	117	1	–	–	118
Capital expenditure	–	–	604	–	604

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

6 SEGMENT INFORMATION (Continued)

Segment assets and liabilities as at 30 June 2018 and 31 December 2017:

As at 30 June 2018 (Unaudited)	Insurance		Others	Elimination	Total
	Individual	Group			
Segment assets	715,345	7,423	32,966	(59)	755,675
Segment liabilities	673,409	6,135	10,403	(59)	689,888

As at 31 December 2017	Insurance		Others	Elimination	Total
	Individual	Group			
Segment assets	679,928	6,799	23,754	(206)	710,275
Segment liabilities	632,018	6,598	8,142	(206)	646,552

7 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Details of investments in associates and joint ventures are as follows:

	As at 30 June 2018 Unaudited	As at 31 December 2017
Associates		
China Jinmao	3,169	3,179
Beijing Zijin Century Real Estate Co., Ltd. ("Zijin Century")(i)	759	764
Nanjing Weiyuanzhou Real Estate Co., Ltd. ("Weiyuanzhou")	177	192
New China Capital International	74	78
Beijing MJ Health Screening Center Co., Ltd. ("MJ Health")	8	8
Joint venture		
New China Life Excellent Health Investment Management Co., Ltd. ("New China Health")	680	675
Total	4,867	4,896

- (i) As approved by shareholders in the fifth extraordinary general meeting on 23 August 2011, the Company plans to sell entire 24% of its shares in Zijin Century. As of the approval date of the interim condensed consolidated financial statements, the Company has not signed any sales agreement.

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

7 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

There are no contingent liabilities relating to the Group's interests in the associates and joint ventures.

Except China Jinmao, the above investments in associates and joint ventures are non-public entities, and there is no quoted market price available. As at the last trading day for the six months ended 30 June 2018, the stock price of China Jinmao was HKD3.94 per share.

Except for China Jinmao and New China Capital International, the English names of the associates and joint ventures represent the best effort made by the management of the Group in translating their Chinese names as they do not have official English names.

8 FINANCIAL ASSETS

(1) Held-to-maturity investments

	As at 30 June 2018 Unaudited	As at 31 December 2017
Debt financial assets		
Government bonds	74,270	71,474
Financial bonds	35,000	31,050
Corporate bonds	46,269	45,030
Subordinated bonds	54,722	58,767
Total	210,261	206,321
Debt financial assets		
Listed	65,164	65,248
Unlisted	145,097	141,073
Total	210,261	206,321

The unlisted debt financial assets refer to debt financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and debt financial assets not publicly traded.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

8 FINANCIAL ASSETS (Continued)

(1) Held-to-maturity investments (Continued)

The due dates of debt financial assets which are classified as held-to-maturity investments are as follows:

	As at 30 June 2018 Unaudited	As at 31 December 2017
Maturity		
Within 1 year (including 1 year)	8,356	13,057
After 1 year but within 3 years (including 3 years)	18,155	22,163
After 3 years but within 5 years (including 5 years)	42,931	41,772
After 5 years	140,819	129,329
Total	210,261	206,321

For the six months ended 30 June 2018, the Group sold held-to-maturity investments with the par value of RMB1,230 million in advance due to the severe deterioration of credit status.

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

8 FINANCIAL ASSETS (Continued)

(2) Available-for-sale financial assets

	As at 30 June 2018 Unaudited	As at 31 December 2017
Debt financial assets		
Government bonds	1,378	1,693
Financial bonds	21,254	16,515
Corporate bonds	22,263	24,690
Subordinated bonds	12,461	11,995
Perpetual bonds	5,000	5,000
Trust products	64,694	63,756
Wealth investment products	64,336	70,730
Subtotal	191,386	194,379
Equity financial assets		
Funds	41,036	45,623
Stock	35,572	37,772
Preferred stock	1,157	1,171
Asset management plans	14,844	17,864
Private equity	4,243	4,128
Wealth investment products	41	–
Equity investment plans	4,700	4,700
Other unlisted equity investments	17,585	14,585
Others	124	163
Subtotal	119,302	126,006
Total	310,688	320,385
Debt financial assets		
Listed	4,970	6,423
Unlisted	186,416	187,956
Subtotal	191,386	194,379
Equity financial assets		
Listed	39,822	42,426
Unlisted	79,480	83,580
Subtotal	119,302	126,006
Total	310,688	320,385

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

8 FINANCIAL ASSETS (Continued)

(2) Available-for-sale financial assets (Continued)

The due dates of debt financial assets which are classified as available-for-sale financial assets are as follows:

Maturity	As at 30 June 2018 Unaudited	As at 31 December 2017
Within 1 year (including 1 year)	20,178	9,400
After 1 year but within 3 years (including 3 years)	83,582	87,901
After 3 years but within 5 years (including 5 years)	48,817	62,016
After 5 years	38,809	35,062
Total	191,386	194,379

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

8 FINANCIAL ASSETS (Continued)

(3) Financial assets at fair value through profit or loss

	As at 30 June 2018 Unaudited	As at 31 December 2017
Held for trading		
Debt financial assets		
Government bonds	327	308
Financial bonds	–	18
Corporate bonds	1,666	442
Subordinated bonds	509	400
Debt financial assets subtotal	2,502	1,168
Equity financial assets		
Funds	4,590	4,195
Stocks	1,731	1,169
Equity financial assets subtotal	6,321	5,364
Total	8,823	6,532
Debt financial assets		
Listed	1,768	505
Unlisted	734	663
Subtotal	2,502	1,168
Equity financial assets		
Listed	3,045	1,206
Unlisted	3,276	4,158
Subtotal	6,321	5,364
Total	8,823	6,532

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

8 FINANCIAL ASSETS (Continued)

(4) Loans and receivables

	As at 30 June 2018 Unaudited	As at 31 December 2017
Asset funding plans (i)	20,000	20,000
Debt investment plans (ii)	36,290	40,200
Subordinated debt	1,400	1,400
Total	57,690	61,600

- (i) Asset funding plans represent New China Life – Orient No.1 Asset Funding Plan (“Orient No.1 Funding Plan”) and New China Life – Huarong No.1 Asset Funding Plan (“Huarong No.1 Funding Plan”).

Orient No.1 Funding Plan was set up by the Group in April 2013. The aggregate principal amount is RMB10,000 million. With the funding plan, the Group disburses loans to the party mentioned below. The Group’s exposure is limited to the outstanding principal and interest. Under this 10-year funding plan, China Orient Asset Management Co. (“Orient Asset”) should repay the principal and interest when due. Orient Asset has the right to redeem the debts at the end of the 7th year. The title documents of certain assets owned by Orient Asset which were verified by the plan manager of the funding plan are co-managed by Orient Asset and the plan manager. This co-management serves as a credit enhancement for this funding plan.

Huarong No.1 Funding Plan was set up by the Group in December 2013. The aggregate principal amount is RMB10,000 million. With the funding plan, the Group disburses loans to the party mentioned below. The Group’s exposure is limited to the outstanding principal and interest. Under this 7-year funding plan, China Huarong Asset Management Co. (“Huarong Asset”) should repay the principal and interest when due. Huarong Asset has the right to redeem the debts at the end of the 5th year. The title documents of certain assets owned by Huarong Asset which were verified by the plan manager of the funding plan, which are co-managed by Huarong Asset, the trustee and the plan manager. This co-management serves as a credit enhancement for this funding plan.

- (ii) Debt investment plans mainly consist of infrastructure and property, plant and equipment funding projects. All projects are with fixed terms, and most of them are usually with a period of 3 years to 10 years.

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

8 FINANCIAL ASSETS (Continued)

(5) Term deposits

The due dates of the term deposits are as follows:

Maturity	As at 30 June 2018 Unaudited	As at 31 December 2017
Within 1 year (including 1 year)	4,000	2,209
After 1 year but within 3 years (including 3 years)	15,100	11,100
After 3 years but within 5 years (including 5 years)	34,790	28,500
More than 5 years	3,000	–
Total	56,890	41,809

9 INSURANCE CONTRACT LIABILITIES

(1) Process used to determine assumptions

Assumptions listed below are reasonable estimates (risk margin excluded).

(a) Discount rate assumption

For long-term insurance contracts whose future insurance benefits are affected by investment yields of corresponding investment portfolios, investment return assumptions are applied as discount rates to assess the time value impacts on the computation of liabilities.

In developing discount rate assumptions, the Group considers investment experience, current and future investment portfolios and the trend of the yield curve. The discount rate reflects the future economic outlook as well as the Group's investment strategy. The expected discount rates with risk margins of the Group as at 30 June 2018 and 31 December 2017 are as follows:

	Discount rate assumption
30 June 2018 (Unaudited)	4.50%~5.00%
31 December 2017	4.50%~5.00%

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

9 INSURANCE CONTRACT LIABILITIES (Continued)

(1) Process used to determine assumptions (Continued)

(a) Discount rate assumption (Continued)

For life insurance contracts whose future insurance benefits are not affected by investment yields of corresponding investment portfolios, the Group uses the discount rate assumption to assess the time value impacts based on the “yield curve of liability computation benchmark for insurance contracts”, published on the “China Bond” website, in combine with comprehensive premium, with consideration of liquidity spreads, taxation impacts and other relevant factors. The expected spot discount rates of the Group as at 30 June 2018 and 31 December 2017 are as follows:

	Discount rate assumption
30 June 2018 (Unaudited)	3.25%~4.75%
31 December 2017	3.16%~4.75%

The discount rate assumption is affected by certain factors, such as future macro-economy, currency and foreign exchange policies, capital market and availability of investment channel of insurance funds, with significant uncertainty exists. The Group determines the discount rate assumption based on the information obtained at the end of each reporting period including the consideration of risk margins.

(b) Mortality and morbidity assumption

The Group bases its mortality assumption on the China Life Insurance Life Mortality Table (2010-2013), adjusted where appropriate to reflect the Group’s historical mortality rate. The main source of uncertainty with life insurance contracts is epidemics, such as bird flu, AIDS and SARS, and wide-ranging lifestyle changes could result in deterioration in the future mortality rate, thus leading to an inadequate liability provision. Similarly, continuous advancements in medical care and social welfare could result in improvements in longevity that exceed the assumption used in the estimates to determine the liabilities for contracts where the Group is exposed to longevity risk.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

9 INSURANCE CONTRACT LIABILITIES (Continued)

(1) Process used to determine assumptions (Continued)

(b) Mortality and morbidity assumption (Continued)

The Group bases its morbidity assumptions on the China Life Insurance Major Diseases Experience Morbidity Rate Table (2006 – 2010) for critical illness products on analysis of historical experience and expectations of future developments. There are two main sources of uncertainty. First, wide-ranging lifestyle changes could result in future deterioration in the morbidity rate. Second, future development of medical technologies and improved availability of medical facilities to policyholders may lead to early diagnosis of critical illnesses, which demands earlier payment of the critical illness benefits. Both could ultimately result in an inadequate liability provision if current morbidity assumptions do not properly reflect such secular trends.

Mortality and morbidity vary with the age of insured and types of contracts. Risk margin is considered in the Group's mortality and morbidity assumptions.

(c) Expenses assumption

The Group's expenses assumptions are determined based on actual experience analysis, with consideration of future inflation, including assumptions of acquisition costs and maintenance costs. The Group's expenses assumptions are affected by certain factors, such as inflation and market competition. The Group determines expenses assumptions based on the information obtained at the end of each reporting period with the consideration of risk margin.

(d) Policy dividend assumption

Policy dividend assumption is determined based upon contract terms, the investment yields of the participating account, dividends policy enacted by the Group, reasonable expectation of policyholders and other factors. Pursuant to relevant contract terms, the Group is obligated to pay to the policyholders of participating contracts at least 70% of distributable surplus.

(e) Lapse rate and other assumptions

The lapse rate and other assumptions are affected by certain factors, such as future macro-economy, availability of financial substitutions, and market competition. The lapse rate and other assumptions are determined based on past experience, current conditions, future expectations and other information obtained at the end of each reporting period with consideration of risk margin.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

9 INSURANCE CONTRACT LIABILITIES (Continued)

(2) Net liabilities of insurance contracts

	As at 30 June 2018 Unaudited	As at 31 December 2017
Gross		
Long-term insurance contract liabilities	581,068	573,170
Short-term insurance contract liabilities		
– Outstanding claims liabilities	897	827
– Unearned premiums liabilities	2,062	1,280
Total, gross	584,027	575,277
Recoverable from reinsurers		
Long-term insurance contracts	(2,067)	(1,904)
Short-term insurance contracts		
– Outstanding claims liabilities	(20)	(22)
– Unearned premiums liabilities	(144)	(71)
Total, ceded	(2,231)	(1,997)
Net		
Long-term insurance contract liabilities	579,001	571,266
Short-term insurance contract liabilities		
– Outstanding claims liabilities	877	805
– Unearned premiums liabilities	1,918	1,209
Total, net	581,796	573,280

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

10 LIABILITIES OF INVESTMENT CONTRACTS

	As at 30 June 2018 Unaudited	As at 31 December 2017
Investment contracts excluding unit-linked contracts	37,380	33,711
Unit-linked contracts	168	217
Total	37,548	33,928

11 BORROWINGS

Upon the approval of the former CIRC in November 2014, the Company completed an offering of 10-year subordinated debts in an aggregate principal amount of RMB4,000 million, and with an interest rate of 5.6% per annum. The Company has the right to redeem the debts partially or wholly at the end of the fifth year. If the Company does not exercise the redemption right or partially exercise the redemption right, the interest rate will step up to 7.6% per annum beginning in the sixth year until the maturity date.

The repayment of principal and interests of the subordinated debts is subordinated to policy liabilities and other liabilities but prior to the Company's equity capital.

12 FINANCIAL ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

	As at 30 June 2018 Unaudited	As at 31 December 2017
By market		
Inter-bank market	10,149	1,500
Stock exchange	38,038	18,425
Total	48,187	19,925
By collateral		
Bonds	48,187	19,925
Total	48,187	19,925

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

12 FINANCIAL ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE (Continued)

Maturity	As at 30 June 2018 Unaudited	As at 31 December 2017
Within 3 months (including 3 months)	48,187	19,925
Total	48,187	19,925

As at 30 June 2018, bonds with par value of RMB11,470 million (as at 31 December 2017: RMB1,695 million) were pledged as collateral for financial assets sold under agreements to repurchase resulting from repurchase transactions entered into by the Group in the inter-bank market. The collateral is restricted from trading during the period of the repurchase transactions.

For debt repurchase transactions through the stock exchange, the Group is required to deposit certain exchange-traded bonds into a collateral pool and the fair values converted at a standard rate pursuant to stock exchange's regulation which should be no less than the balances of the related repurchase transactions.

As at 30 June 2018, the amount of financial assets deposited in the collateral pool amounted to RMB68,697 million (as at 31 December 2017: RMB64,160 million). The collateral is restricted from trading during the period of the repurchase transaction. The Group can withdraw the exchange-traded bonds from the collateral pool in a short period of time under the condition that the value of certain bonds is no less than the balance of the related repurchase transactions.

13 PROVISIONS

	Lawsuits and disputes
As at 1 January 2018	29
Increase	—
Decrease	—
As at 30 June 2018 (Unaudited)	29

When future cash outflow is probable and can be reasonably measured, provision should be made based on the projected payment of current lawsuits and disputes. After taking into consideration specific circumstances and legal advice, the Group makes the best estimation according to the relevant accounting standards. The final payments of those lawsuits and disputes depend on the final investigation, judgement and settlement amounts, thus they may differ from the current provision.

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

14 SHARE CAPITAL

All shares of the Company issued are fully paid common shares. The par value per share is RMB1. The Company's number of shares is as follows:

	As at 30 June 2018 Unaudited	As at 31 December 2017
Number of shares registered, issued and fully paid at RMB1 per share (in million)	3,120	3,120

15 RESERVES

	As at 30 June 2018 Unaudited	As at 31 December 2017
Share premium	23,964	23,964
Other reserve	(20)	(10)
Unrealized income/(losses)	(507)	1,597
Surplus reserve	4,441	3,922
Reserve for general risk	3,922	3,922
Total	31,800	33,395

Pursuant to a resolution passed at the shareholders' general meeting on 27 June 2018, the Company appropriated a discretionary surplus reserve of RMB519 million, equalling to 10% of the net profit in 2017.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

16 GROSS WRITTEN PREMIUMS AND POLICY FEES

	For the six months ended 30 June	
	2018 Unaudited	2017 Unaudited
Gross written premiums		
– Long-term insurance contracts	64,948	59,009
– Short-term insurance contracts	2,922	2,230
Subtotal	67,870	61,239
Policy fees		
– Investment contracts	32	34
Gross written premiums and policy fees	67,902	61,273

17 INVESTMENT INCOME

	For the six months ended 30 June	
	2018 Unaudited	2017 Unaudited
Interest income from bank deposits	1,259	1,641
Held-to-maturity investments		
– Interest income	4,694	4,388
– Net realized gains	23	–
Available-for-sale financial assets		
– Interest income	5,232	4,724
– Dividend income	3,184	2,474
– Net realized gains/(losses)	(48)	676
– Impairment losses on equity financial assets	(489)	(716)
Interest income from loans and receivables	1,888	1,764
Interest income from policy loans	652	557
Financial assets at fair value through profit or loss		
– Interest income	38	243
– Fair value gains/(losses)	(202)	138
– Dividend income	83	36
– Net realized losses	(54)	(87)
Financial liabilities at fair value through profit or loss		
– Fair value gains	2	–
Interest income from financial assets purchased under agreements to resell	45	55
Total	16,307	15,893

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

18 ADMINISTRATIVE EXPENSES

	For the six months ended 30 June	
	2018 Unaudited	2017 Unaudited
Employee benefit expenses (including directors' emoluments)	4,006	5,446
Operating lease expense	428	403
Depreciation and amortization	285	284
Entertainment fees	147	153
Insurance guarantee fund	126	110
Travel and conference fees	107	135
Official fees	97	109
Electronic equipment operating costs	55	61
Promotional printing costs	51	44
Advertising fees	46	49
Postal fees	34	48
Vehicle use fees	14	19
Auditors' remuneration and consulting fees	1	5
Supervision fees	–	24
Less: Expenses recoverable from reinsurers	(228)	(67)
Others	131	126
Total	5,300	6,949

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

19 TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same tax authority. Most of income taxes shown below are taxes incurred in the PRC.

(1) The amount of income tax charged to the net profit represents:

	For the six months ended 30 June	
	2018 Unaudited	2017 Unaudited
Current tax	2,247	1,695
Deferred tax	(299)	(53)
Total income tax	1,948	1,642

(2) The reconciliation between the Group's effective tax rate and the mainly applicable tax rate of 25% in the PRC is as follows:

	For the six months ended 30 June	
	2018 Unaudited	2017 Unaudited
Profit before income tax	7,748	4,879
Tax computed at the statutory tax rate in China	1,937	1,220
Non-taxable income (i)	(834)	(737)
Expenses not deductible for tax purposes (i)	841	1,156
Effect of unrecognized deferred tax assets arising from deductible losses and deductible temporary differences	13	6
Use of deductible tax losses of prior years	(5)	—
Past due income tax paid	(2)	(2)
Effect of different tax rates used by subsidiaries	(2)	(1)
Income tax at the effective tax rate	1,948	1,642

- (i) Non-taxable income mainly includes government bond interest income and dividend income from funds. Expenses not deductible for tax purposes mainly include those expenses such as commission and brokerage expenses, penalties, donations and entertainment expenses that do not meet the criteria for deduction under relevant tax regulations issued by the tax authority.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

19 TAXATION (Continued)

- (3) The movements in deferred tax assets and deferred tax liabilities during the period are as follows:

	Financial assets	Insurance liability and others	Total
Net deferred tax assets			
As at 1 January 2017	(1,047)	1,355	308
(Charged)/credited to net profit	(33)	86	53
(Charged)/credited to other comprehensive income	(715)	438	(277)
Charged to other reserve	–	(13)	(13)
As at 30 June 2017 (Unaudited)	(1,795)	1,866	71
Net deferred tax liabilities			
As at 1 January 2017	–	(54)	(54)
(Charged)/credited to net profit	–	–	–
(Charged)/credited to other comprehensive income	–	–	–
As at 30 June 2017 (Unaudited)	–	(54)	(54)
Net deferred tax assets			
As at 1 January 2018	(1,581)	1,617	36
(Charged)/credited to net profit	(22)	321	299
(Charged)/credited to other comprehensive income	1,755	(1,052)	703
Credited to other reserve	–	3	3
As at 30 June 2018 (Unaudited)	152	889	1,041
Net deferred tax liabilities			
As at 1 January 2018	–	(54)	(54)
(Charged)/credited to net profit	–	–	–
(Charged)/credited to other comprehensive income	–	–	–
As at 30 June 2018 (Unaudited)	–	(54)	(54)

As at 30 June 2018, the Group recognized deferred income tax assets to the extent that it was probable that future taxable profits would be available against which the temporary differences could be utilized.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

19 TAXATION (Continued)

- (4) Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable income is probable. The Group has no deductible temporary differences which no deferred tax asset is recognized. The amount of unused tax losses for which no deferred tax asset is recognized is as follows:

	As at 30 June 2018 Unaudited	As at 31 December 2017
Deductible losses	461	405

20 EARNINGS PER SHARE

(1) Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares issued during the period.

	For the six months ended 30 June	
	2018 Unaudited	2017 Unaudited
Net profit attributable to shareholders of the Company (RMB in million)	5,799	3,237
Weighted average number of ordinary shares issued (in million)	3,120	3,120
Basic earnings per share (RMB)	1.86	1.04

(2) Diluted

The Company has no dilutive potential ordinary shares. Diluted earnings per share was the same as basic earnings per share for the six months ended 30 June 2018 (for the six months ended 30 June 2017 (unaudited): same).

21 DIVIDEND

Pursuant to a resolution approved at the shareholders' general meeting on 27 June 2018, a final dividend of RMB0.52 per ordinary share (inclusive of tax) totalling RMB1,622 million was declared.

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

22 SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) Related parties

The table set forth below summarises the significant related parties of the Company:

Significant related parties	Relationships
New China Asset Management Co., Ltd. ("Asset Management Company")	Subsidiary of the Company
New China Asset Management (Hong Kong) Co., Ltd. ("Asset Management Company (Hong Kong)")	Subsidiary of the Company
New China Village Health Technology (Beijing) Co., Ltd. ("Health Technology")	Subsidiary of the Company
Xinhua Village Seniors Service (Beijing) Co., Ltd. ("Xinhua Seniors Service")	Subsidiary of the Company
Xinhua Village Shanggu (Beijing) Real Estate Co., Ltd. ("Shanggu Real Estate")	Subsidiary of the Company
New China Electronic Commerce Co., Ltd. ("Electronic Commerce")	Subsidiary of the Company
Hefei New China Life Supporting Construction Operation Management Co., Ltd. ("Hefei Supporting Operation")	Subsidiary of the Company
New China Excellent Pension Co., Ltd. ("New China Pension")	Subsidiary of the Company
Xinhua Village Seniors Investment Management (Hainan) Co., Ltd. ("Hainan Seniors")	Subsidiary of the Company
Xinhua Haoran Architecture Science and Technology Co., Ltd. ("Xinhua Haoran")	Subsidiary of the Company
Guangzhou Yuerong Project Construction Management Co., Ltd. ("Guangzhou Yuerong")	Subsidiary of the Company
Beijing Xinhua Excellent Kangfu Hospital Co., Ltd. ("Kangfu Hospital")	Subsidiary of the Company
Orient No.1 Funding Plan	Subsidiary of the Company
Huarong No.1 Funding Plan	Subsidiary of the Company
New China Asset Management – Mingdao Appreciation Asset Management Product ("Mingdao Fund")	Subsidiary of the Company
New China Asset Management Mingde No.1 Asset Management Product ("Mingde Fund")	Subsidiary of the Company
New China Asset Management – Mingli No.1 Asset Management Product ("Mingli Fund")	Subsidiary of the Company
New China Asset Management – Mingren No.1 Asset Management Product ("Mingren No.1")	Subsidiary of the Company
New China Asset Management – Mingren No.3 Asset Management Product ("Mingren No.3")	Subsidiary of the Company

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(1) Related parties (Continued)

The table set forth below summarises the significant related parties of the Company (Continued):

Significant related parties	Relationships
New China Asset Management – Mingren No.4 Asset Management Product (“Mingren No.4”)	Subsidiary of the Company
New China Asset Management – Mingzhi No.1 Asset Management Product (“Mingzhi No.1”)	Subsidiary of the Company
New China Asset Management – Mingzhi No.2 Asset Management Product (“Mingzhi No.2”)	Subsidiary of the Company
New China Asset Management – Mingzhi No.3 Asset Management Product (“Mingzhi No.3”)	Subsidiary of the Company
New China Asset Management – Mingzhi No.4 Asset Management Product (“Mingzhi No.4”)	Subsidiary of the Company
New China Asset Management – Mingzhi No.5 Asset Management Product (“Mingzhi No.5”)	Subsidiary of the Company
Lujiazui Trust – Zhongwei Thermoelectricity Perpetual Bond	Subsidiary of the Company
Lujiazui Trust – Zhongwei New Energy Perpetual Bond	Subsidiary of the Company
MJ Health	Associate of the Company
Zijin Century	Associate of the Company
New China Capital International	Associate of the Company
China Jinmao	Associate of the Company
Weiyuanzhou	Associate of the Company
New China Health	Joint venture of the Company
Central Huijin Investment Ltd. (“Huijin”)	Shareholder that has significant influence over the Company

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Significant transactions with related parties

The table set forth below summarises significant transactions with related parties:

	For the six months ended 30 June	
	2018 Unaudited	2017 Unaudited
Transactions between the Group and other related parties		
– Interest from bonds issued by Huijin (i)	24	15
– Cash dividends received from China Jinmao (ii)	156	83
– Cash dividends received from New China Capital International (ii)	10	–
– Cash dividends received from Zijin Century (ii)	24	–
– Health check and service fee paid to New China Health (iii)	15	8
– Rent earned from New China Health (iv)	7	5
Transactions between the Company and its subsidiaries		
– Investment management fee to Asset Management Company (v)	188	182
– Rent earned from Asset Management Company (iv)	7	7
– Investment management fee to Asset Management Company (Hong Kong) (v)	27	31
– Capital contribution to Xinhua Seniors Service (Note 26(ii))	300	–
– Rent and property fee paid to Xinhua Haoran (vi)	15	15
– Rent earned from New China Pension (iv)	2	2
– Information technology (“IT”) service fee paid to Electronic Commerce (vii)	2	2
– Conference and training fees paid to Health Technology (viii)	3	3
– Capital contribution to Hefei Supporting Operation	–	470
– Capital contribution to Kangfu Hospital (Note 26(v))	170	–
– Capital contribution to New China Pension	–	495
– Liquidation of Yunnan New China Insurance Agency Co., Ltd. (“Yunnan New China”)	–	2

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Significant transactions with related parties (Continued)

(i) **Bonds interest from Huijin**

Huijin became a shareholder of the Company in 2009 and directly held 31.34% of the Company's shares as at 30 June 2018. Huijin is a state-owned investment company approved by the State Council. The function of Huijin is to hold specific equity investments to the extent of capital contributions on behalf of the State Council in order to maintain and increase the value of state-owned assets. Huijin should not undertake any commercial activities or intervene routine operation of the investee. The Group and the Company conduct transactions with other entities that are controlled by, under common control or significant influence of Huijin, including deposits, investment custody, agency sales of insurance products and re-insurance transactions.

In 2010, 2015 and 2017 the Company purchased bonds issued by Huijin at a par value of RMB300 million, RMB500 million and RMB400 million from the inter-bank market, respectively. As at 30 June 2018, the carrying value of these bonds was RMB1,200 million (as at 31 December 2017: RMB1,200 million). The recognised bonds interest for the six months ended 30 June 2018 was RMB24 million (for the six months ended 30 June 2017: RMB15 million).

(ii) **Cash dividends received**

For the six months ended 30 June 2018, the Company received a cash dividend of RMB156 million from China Jinmao (for the six months ended 30 June 2017: RMB83 million), a cash dividend of RMB10 million from New China Capital International (for the six months ended 30 June 2017: Nil), and a cash dividend of RMB24 million from Zijin Century (for the six months ended 30 June 2017: Nil).

(iii) **Health check and service fee paid to New China Health**

The Company entered into a contract with New China Health. According to the contract, the Company purchased health service from New China Health for underwriting review, employee welfare, marketing and agent incentive plan, etc. Expenses of approximately RMB15 million were incurred for the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB8 million).

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Significant transactions with related parties (Continued)

(iv) Office rental contracts

The Company leases part of the office building located in International City Unit AB at Wuhan, part of the office building located in Blue Ocean Unit A, Green Central Plaza at Hohhot, part of the office building located in European City at Nanjing and part of the office building located in Xianglong Building at Yantai to New China Health. The accrued rent revenue for the six months ended 30 June 2018 was RMB7 million (for the six months ended 30 June 2017: RMB5 million).

The Company leases part of New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to Asset Management Company as its office. The accrued rent revenue for the six months ended 30 June 2018 was RMB7 million (for the six months ended 30 June 2017: RMB7 million).

The Company leases part of New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to New China Pension as its office. The accrued rent revenue for the six months ended 30 June 2018 was RMB2 million (for the six months ended 30 June 2017: RMB2 million).

(v) Investment management service agreement

The Company and Asset Management Company entered into an annual investment management service agreement for entrusted investments in 2018. According to this agreement, Asset Management Company provides investment management services to the Company and independently makes investment decisions in accordance with investment guidance stipulated by the Company. The Company is entitled to all investment returns and bears all losses (subject to negotiation on a case by case basis) from the entrusted investment funds. The Company pays the basic service fee, floating management fee and performance management fee to Asset Management Company. The Company has the right to deduct fees based on the performance of Asset Management Company or other reasons such as the violation of the agreement.

The Company and Asset Management Company (Hong Kong) entered into an annual investment management service agreement for entrusted investments in 2018. According to this agreement, Asset Management Company (Hong Kong) provides investment management services to the Company and independently makes investment decisions in accordance with investment guidance stipulated by the Company. The Company is entitled to all investment returns and bears all losses (subject to negotiation on a case by case basis) from the entrusted investment funds. The Company pays the basic service fee, floating management fee and performance management fee to Asset Management Company (Hong Kong). The Company has the right to deduct fees based on the performance of Asset Management Company (Hong Kong) or other reasons such as the violation of the agreement.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Significant transactions with related parties (Continued)

(vi) Rent and property management fee paid to Xinhua Haoran

The Company entered into an annual lease and property management contract with Xinhua Haoran in January 2018. According to the contract, the Company rents part of the office building located at No.137 Jinghaisan Avenue, Yi Zhuang, Daxing District, Beijing and receives property management services from Xinhua Haoran. The accrued rent and property expense for the six months ended 30 June 2018 was RMB15 million (for the six months ended 30 June 2017: RMB15 million).

(vii) IT service fee paid to Electronic Commerce

The Company paid IT service fee to Electronic Commerce in 2018 and Electronic Commerce provide support on marketing on channel of cooperation, human outsourcing service, IT service and other e-commerce service. The service and management expenses totalling RMB2 million were accrued for the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB2 million).

(viii) Conference and training fees paid to Health Technology

The Company paid conference and training service fees to Health Technology in 2018. Expenses of approximately RMB3 million were incurred for the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB3 million).

The office rentals of New China Health, Asset Management Company and New China Pension are based on the prices agreed by both of the deal. The investment management fees paid to Asset Management Company and Asset Management Company (Hong Kong) are calculated based on the negotiated service charge rates and the scale of investments. The health check and service fee paid to New China Health is based on the market price. The rent and property fee paid to Xinhua Haoran, the IT service fee paid to Electronic Commerce and the conference and training fees paid to Health Technology are calculated based on the negotiated prices between transaction parties.

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(3) Related party balances

	Group	
	As at 30 June 2018 (Unaudited)	As at 31 December 2017
Balances of related party transactions		
Interest receivable		
Huijin	38	14
Dividends receivable		
China Jinmao	156	–
Zijin Century	24	–
Other receivables		
New China Health	10	19
Other payables		
New China Health	11	3
	Company	
	As at 30 June 2018 (Unaudited)	As at 31 December 2017
Receivables from subsidiaries		
Xinhua Seniors Service	–	300
Health Technology	17	16
New China Pension	4,000	–
Payables to subsidiaries		
Asset Management Company	33	135
Asset Management Company (Hong Kong)	26	71
Xinhua Haoran	3	–

No provisions are held against receivables from related parties.

The balances between the Company and its subsidiaries have been eliminated in the consolidated statement of financial position.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(4) Key management's remuneration

Key management members include directors, supervisors and senior management team members. Key management members' remuneration incurred by the Company is as follows:

	For the six months ended 30 June	
	2018 Unaudited	2017 Unaudited
Payroll and welfare	15	22

(5) Transactions with state-owned enterprises

Under IAS 24 (Amendment), business transactions between state-owned enterprises controlled by the PRC government are within the scope of related party transactions. The Group's key business is insurance related and therefore the business transactions with other state-owned enterprises are primarily related to insurance and investment activities. The related party transactions with other state-owned enterprises were conducted in the ordinary course of business. Due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Group. Nevertheless, the Group believes that the following captures the material related parties and has applied the exemption of the amendments to IAS 24 and disclosed only qualitative information.

As at 30 June 2018, most of the bank deposits were with state-owned banks, the issuers of debt financial assets held by the Group were mainly state-owned enterprises, and most investments were entrusted to state-owned enterprises. For the six months ended 30 June 2018, a large portion of its group insurance business of the Group was with state-owned enterprises; the majority of bancassurance brokerage charges were paid to state-owned banks and postal office; almost all of the reinsurance agreements of the Group were entered into with a state-owned reinsurance company; and most of the bank deposit interest income was from state-owned banks.

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

23 CONTINGENCIES

The Group is involved in estimates for contingencies and legal proceedings in the ordinary course of business, including but not limited to, being the plaintiff or the defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies, other claims, and litigation matters. Provision has been made for probable losses of the Group, including those claims where management can reasonably estimate the outcome of the lawsuits taking into account any legal advice.

No provision has been made for pending assessments, lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability is low or remote. For these pending lawsuits, management also believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group or any of its subsidiaries.

24 COMMITMENTS

(1) Capital commitments

The Group had capital commitments for the purchase of property, plant, equipment and software, etc. Management confirms that the Group has sufficient future income or funding to fulfil these capital commitments.

	As at 30 June 2018 Unaudited	As at 31 December 2017
Contracted but not provided for	2,233	3,587
Total	2,233	3,587

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

24 COMMITMENTS

(2) Operating lease commitments

The future aggregate minimum lease payments due under non-cancellable operating leases are as follows:

	As at 30 June 2018 Unaudited	As at 31 December 2017
Within 1 year (including 1 year)	399	317
Between 1 and 2 years (including 2 years)	251	165
Between 2 and 3 years (including 3 years)	126	85
More than 3 years	133	106
Total	909	673

(3) Operating lease rental receivables

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancellable operating leases are as follows:

	As at 30 June 2018 Unaudited	As at 31 December 2017
Within 1 year (including 1 year)	255	197
Between 1 and 5 years (including 5 years)	328	183
More than 5 years	2	–
Total	585	380

(4) Investment commitments

The Group has signed contracts to purchase equity investments. As at 30 June 2018, a total amount of RMB2,177 million (unaudited) was disclosed as investment commitments contracted but not provided for (as at 31 December 2017: RMB460 million).

25 SUBSEQUENT EVENTS

As at the approval date of the interim condensed consolidated financial statements, there is no significant subsequent events that need to be disclosed by the Group.

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

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26 INVESTMENTS IN SUBSIDIARIES

The basic information of the Company's subsidiaries as at 30 June 2018, all unlisted, is as follows:

	Place of incorporation and operation	Principal activities	Registered/ committed capital	Group's interest
Asset Management Company	Beijing, China	Asset management	RMB500 million	99.40%
Asset Management Company (Hong Kong)	Hong Kong, China	Asset management	HKD50 million	99.64%
Health Technology (i)	Beijing, China	Real estate property development and training	RMB632 million	100%
Xinhua Seniors Service (ii)	Beijing, China	Service	RMB964 million	100%
Shanggu Real Estate	Beijing, China	Real estate property development	RMB15 million	100%
Electronic Commerce	Beijing, China	Electronic commerce	RMB200 million	100%
Hefei Supporting Operation	Hefei, China	Real estate property investment and management	RMB3,200 million	100%
New China Pension (iii)	Shenzhen, China	Insurance service	RMB1 billion	99.99%
Hainan Seniors	Qionghai, China	Real estate	RMB1,908 million	100%
Xinhua Haoran (iv)	Beijing, China	Real estate lease and property management	RMB500 million	100%
Guangzhou Yuerong	Guangzhou, China	Real estate property investment and management	RMB10 million	100%
Kangfu Hospital (v)	Beijing, China	Medical service	RMB170 million	100%
Orient No.1 Funding Plan	Not applicable	Project investment	RMB10 billion	100%
Huarong No.1 Funding Plan	Not applicable	Project investment	RMB10 billion	100%
Mingdao Fund	Not applicable	Asset management product	RMB169 million	94.02%
Mingde Fund	Not applicable	Asset management product	RMB257 million	100%
Mingli Fund	Not applicable	Asset management product	RMB150 million	90.00%

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

26 INVESTMENTS IN SUBSIDIARIES (Continued)

The basic information of the Company's subsidiaries as at 30 June 2018, all unlisted, is as follows (Continued):

	Place of incorporation and operation	Principal activities	Registered/ committed capital	Group's interest
Mingren No.1	Not applicable	Asset management product	RMB50 million	90.00%
Mingren No.3	Not applicable	Asset management product	RMB100 million	90.00%
Mingren No.4	Not applicable	Asset management product	RMB289 million	87.90%
Mingzhi No.1	Not applicable	Asset management product	RMB100 million	90.00%
Mingzhi No.2	Not applicable	Asset management product	RMB100 million	90.00%
Mingzhi No.3	Not applicable	Asset management product	RMB50 million	90.00%
Mingzhi No.4	Not applicable	Asset management product	RMB100 million	90.00%
Mingzhi No.5	Not applicable	Asset management product	RMB100 million	90.00%
Lujiazui trust – Zhongwei Thermoelectricity Perpetual Bond	Not applicable	Trust product	RMB1 billion	100%
Lujiazui trust – Zhongwei New Energy Perpetual Bond	Not applicable	Trust product	RMB4 billion	100%

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

26 INVESTMENTS IN SUBSIDIARIES (Continued)

The basic information of the Company's subsidiaries as at 30 June 2018, all unlisted, is as follows (Continued):

- (i) The twenty-second meeting of the six session of the Board of Directors in 2018 considered and approved the increase of investment scale of the Health Technology Yanqing Seniors Project Phase One from RMB960 million to RMB1,096 million by increasing capital contribution to Health Technology. As at the approval date of the interim condensed consolidated financial statements, the Company has not contributed the increased capital and Health Technology has not registered the change yet.
- (ii) The sixth meeting of the sixth session of the Board of Directors in 2016 considered and approved the increased capital contribution of RMB300 million to Xinhua Seniors Service. Upon the capital contribution, the registered capital of Xinhua Seniors Service increased to RMB964 million. On 24 December 2016, the Company has completed the cash contribution, and the Company's actual contribution was RMB964 million. On 27 February 2018, Xinhua Seniors Service registered the change.
- (iii) The twenty-second meeting of the sixth session of the Board of Directors in 2018 considered and approved the increased capital contribution of RMB4,000 million to New China Pension. Upon the capital contribution, the registered capital of New China Pension increased to RMB5,000 million. On 30 April 2018, the Company has completed the cash contribution, and the Company's actual contribution was RMB4,990 million, Asset Management Company's actual contribution was RMB10 million. As at the approval date of the interim condensed consolidated financial statements, New China Pension has not registered the change yet.
- (iv) Xinhua Haoran Architecture Science and Technology Co., Ltd. was formerly known as Beijing Century Haoran Power Technology Development Co., Ltd.. On 27 June 2018, Xinhua Haoran registered the name change.
- (v) The ninth meeting of the sixth session of the Board of Directors in 2017 has considered and approved the proposal of "acquisition of Beijing Xinhua Excellent Kangfu Hospital Co., Ltd. by share transfer- related party transactions". The matter has been approved by the former CIRC on 8 November 2017. On 16 March 2018, Kangfu Hospital registered the change, and the registered capital was RMB170 million. On 17 April 2018, The Company injected RMB170 million to Kangfu Hospital.

Change of consolidation scope

For the six months ended 30 June 2018, the Company acquired a 100% equity interest and controlling interests in Kangfu Hospital with zero consideration. The acquisition date was 1 March 2018.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

26 INVESTMENTS IN SUBSIDIARIES (Continued)

Change of consolidation scope (Continued)

The fair values of net identifiable assets and liabilities of Kangfu Hospital at the acquisition date were determined based on valuation results. The fair values and carrying amounts of the identifiable assets and liabilities of Kangfu Hospital as at the acquisition date were set out below:

	As at 1 March 2018	
	Fair value Unaudited	Carrying amount Unaudited
Property, plant and equipment	30	30
Intangible assets	50	5
Other assets	42	42
Cash and cash equivalents	9	9
Other liabilities	(131)	(131)
Total identifiable net assets at fair value	–	
Purchase consideration transferred	–	

Analysis of cash flows on acquisition:

	Unaudited
Cash and cash equivalents acquired	9
Consideration paid in cash	–
Net cash flow on acquisition	9

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2018 (All amounts in RMB millions unless otherwise stated)

26 INVESTMENTS IN SUBSIDIARIES (Continued)

Change of consolidation scope (Continued)

The operating result and cash flow information of Kangfu Hospital for the period ended 30 June 2018 since the acquisition date is listed below:

	From 1 March 2018 to 30 June 2018 Unaudited
Revenue	1
Net profit	(15)
Net cash flow	60

From the acquisition date to 30 June 2018, the Group did not dispose of nor has it any intention to dispose of any assets or liabilities of Kangfu Hospital.

The English names of certain subsidiaries represent the best effort made by the management of the Company in translating their Chinese names as they do not have official English names.

27 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements have been approved for issue by the Board of Directors on 28 August 2018.