

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2021**

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 2021. This announcement, containing the full text of the Interim Report 2021 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 2021 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 2021.

By Order of the Board
New China Life Insurance Company Ltd.
LI Quan
Executive Director

Beijing, China, 26 August 2021

As at the date of this announcement, the executive directors of the Company are LI Quan and ZHANG Hong; the non-executive directors are YANG Yi, HU Aimin, LI Qiqiang, PENG Yulong and Edouard SCHMID; and the independent non-executive directors are LI Xianglu, ZHENG Wei, CHENG Lie, GENG Jianxin and MA Yiu Tim.

IMPORTANT INFORMATION

1. The board of directors, the board of supervisors and directors, supervisors and members of senior management of the Company guarantee 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 2021 of the Company was considered and approved at the 23rd meeting of the seventh session of the Board of the Company on 26 August 2021, which 12 directors were required to attend and 12 of them attended in person.
3. The 2021 interim condensed consolidated financial information of the Company is unaudited.
4. The Company neither distributed interim dividend with profit earned for the reporting period nor increased shares with capital reserve in the first half of 2021.
5. Mr. LI Quan, the chief executive officer and president 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 accounting department of the Company guarantee the correctness, accuracy and completeness of the interim condensed consolidated financial information in the Interim Report 2021.
6. In addition to the facts stated herein, this report includes some forward-looking statements and analyses, which may differ from the actual results of the Company in the future. The Company does not make any warranty or undertaking upon its future performance. Investors are advised to exercise caution.
7. No non-operating funds were used by the controlling shareholder and its related parties for the Company.
8. No external guarantee provided by the Company violated the decision-making procedures of the Company.
9. No more than half of the directors could not guarantee the correctness, accuracy and completeness of the Interim Report disclosed by the Company.

CONTENTS

Section 1	Definitions	3
Section 2	Corporate Information	4
Section 3	Business Overview	6
Section 4	Management Discussion and Analysis	8
Section 5	Embedded Value	29
Section 6	Corporate Governance	39
Section 7	Environmental and Social Responsibility	45
Section 8	Significant Events	46
Section 9	Changes in Share Capital and Shareholders' Profile	49
Section 10	Financial Statements	53

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 Asset Management Company
Huijin	Central Huijin Investment Ltd.
China Baowu	China Baowu Steel Group Corporation Limited
National Social Security Fund	National Council for Social Security Fund of the People's Republic of China
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
Hong Kong Stock Exchange, 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
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	Articles of Association of New China Life Insurance Company Ltd.
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	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)
Board	The Board of Directors of the Company

SECTION 2

CORPORATE INFORMATION

BASIC INFORMATION

Legal Name in Chinese	新華人壽保險股份有限公司(簡稱「新華保險」)
Legal Name in English	NEW CHINA LIFE INSURANCE COMPANY LTD. ("NCI")
Legal Representative	LIU Haoling
Registered Office	No.16, East Hunan Road, Yanqing District, Beijing, P.R.C. (Zhongguancun Yanqing Park)
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
Email	ir@newchinalife.com
Customer Service and Complaint Hotline	95567

CONTACT INFORMATION

Board Secretary/Joint Company Secretary	GONG Xingfeng
Securities Representative	XU Xiu
Telephone	86-10-85213233
Fax	86-10-85213219
Email	ir@newchinalife.com
Address	13th Floor, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, P.R.C.
Joint Company Secretary	LEE Kwok Fai Kenneth
Telephone	852-28220158
Fax	852-35898359
Email	kenneth.lee@tmf-group.com
Address	31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

INFORMATION DISCLOSURE AND PLACE FOR OBTAINING THE REPORT

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

Website for Publishing Interim Report (A Share) <http://www.sse.com.cn>

Website for Publishing Interim Report (H Share) <http://www.hkexnews.hk>

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

STOCK INFORMATION

Stock Type	Stock Exchange	Stock Name	Stock Code
A Share	Shanghai Stock Exchange	新華保險	601336
H Share	The Stock Exchange of Hong Kong Limited	NCI	01336

OTHER RELEVANT INFORMATION

A Share Registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch
Address	No.188 Yanggao South Road, Pilot Free Trade Zone, Shanghai, China
H Share Registrar	Computershare Hong Kong Investor Services Limited
Address	Room 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	WU Zhiqiang and WANG Ziqing
International Auditor	Ernst & Young
Address	27/F, One Taikoo Place 979 King's Road Quarry Bay, Hong Kong
Domestic Legal Advisor	Commerce & Finance Law Offices
Address	12-14th Floor, China World Office 2, No. 1 Jianguomenwai Avenue, Beijing, China
Hong Kong Legal Advisor	Clifford Chance LLP
Address	27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong

SECTION 3

BUSINESS OVERVIEW

Founded in September 1996, New China Life is a large and nationwide life insurance company with its headquarters in Beijing. New China Life offers comprehensive life insurance products and services to individual customers and institutional customers through nationwide distributional networks and diversified marketing channels, manages and deploys insurance funds through its subsidiaries, including Asset Management Company and Asset Management Company (Hong Kong). New China Life was simultaneously listed on the SSE and the HKSE in 2011.

Unit: RMB in millions

1,022,175

Total assets

130,386

Total revenues

106,457

Equity attributable to shareholders of the Company

10,546

Net profit attributable to shareholders of the Company

6.5%

Annualized total investment yield

250,766

Embedded value

4,090

Value of the first half year's new business

269.67%

Comprehensive solvency margin ratio

ANALYSIS OF CORE COMPETITIVENESS

Solid main business. The Company has always stayed committed to the essence of life insurance, explores the market demands, and establishes professional marketing channels and sales team nationwide. The product system constantly improves. The Company provides customers with protection products and wealth management services covering the whole life circle through the synergy development of assets and liabilities. As at 30 June 2021, the Company realized the gross written premiums (the “GWP”) of RMB100,610 million with the growth rate of 3.9% year on year.

Supportive industrial collaboration. Relying on Asset Management Company as the main wealth management platform, the Company continues to boost the synergy between assets and liabilities. The assets under management exceeds RMB1 trillion. Meanwhile, the Company participates in building national social security system and develops the healthcare and old-age care businesses. In the first half of 2021, the opening of Yixiang community in Yanqing district marked the full completion of “Lexiang”, “Yixiang”, “Zunxiang” three communities under the old-age care layout.

Convenient and high-quality service. The Company adheres to the principle of “customer-centered” service and continues to optimize and upgrade customer service system, and enriches customer service. As of 30 June 2021, the Company has offered high-quality, convenient and efficient services for more than 30 million individual customers and nearly 90,000 institutional customers.

Professional and efficient management. Under the leadership of management team, the Company continues to optimize and cultivate more professional talents. The Company possesses a professional and efficient talent team. Meanwhile, corporate governance constantly improves, organizational structure better adapts to the needs of development, and management efficiency constantly enhances.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

I. FINANCIAL ANALYSIS

(I) Key accounting data and financial indicators

1. Key Accounting Data

Unit: RMB in millions

			Increase/ decrease over the corresponding period of last year
For the six months ended 30 June	2021	2020	
Total revenues	130,386	116,076	12.3%
Gross written premiums and policy fees	100,641	96,903	3.9%
Profit before income tax	12,086	9,254	30.6%
Net profit attributable to shareholders of the Company	10,546	8,218	28.3%
Net cash flows from operating activities	42,068	42,750	-1.6%

	As at 30 June 2021	As at 31 December 2020	Increase/ decrease as compared to the end of last year
Total assets	1,022,175	1,004,376	1.8%
Total liabilities	915,703	902,696	1.4%
Equity attributable to shareholders of the Company	106,457	101,667	4.7%

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

2. Key Financial Indicators

Unit: RMB in millions

For the six months ended 30 June	2021	2020	Increase/ decrease over the corresponding period of last year
Basic weighted average earnings per share attributable to shareholders of the Company (RMB)	3.38	2.63	28.5%
Diluted weighted average earnings per share attributable to shareholders of the Company (RMB)	3.38	2.63	28.5%
Weighted average return on equity attributable to shareholders of the Company	9.93%	9.13%	0.80pt
Weighted average net cash flows from operating activities per share (RMB)	13.48	13.70	-1.6%

	As at 30 June 2021	As at 31 December 2020	Increase/ decrease as compared to the end of last year
Net assets per share attributable to shareholders of the Company (RMB)	34.12	32.59	4.7%

(II) Other key financial and regulatory indicators

Unit: RMB in millions

Indicators	For the six months ended 30 June 2021/ As at 30 June 2021	For the six months ended 30 June 2020/ As at 31 December 2020	Change
Investment assets	979,339	965,653	1.4%
Annualized total investment yield ⁽¹⁾	6.5%	5.1%	1.4pt
Gross written premiums and policy fees	100,641	96,903	3.9%
Growth rate of gross written premiums and policy fees	3.9%	30.9%	-27.0pt
Benefits, claims and expenses	118,178	106,304	11.2%
Surrender rate ⁽²⁾	1.0%	0.7%	0.3pt

Notes:

- Annualized total investment yield = (total investment income – interest expenses of financial assets sold under agreements to repurchase)/(monthly average investment assets – monthly average financial assets sold under agreements to repurchase – monthly average interest receivables)*2.
- Surrender rate = surrenders for the reporting period/(balance of life insurance and long-term health insurance contract liabilities at the beginning of the period + premium income of long-term insurance contracts).

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

(III) The discrepancy between the P.R.C. GAAP and the IFRS

There is no difference in the consolidated net profit of the Company for the six months ended 30 June 2021 and the consolidated equity of the Company as at 30 June 2021 as stated in the interim condensed consolidated financial statements prepared in accordance with the IFRS and the P.R.C. GAAP.

(IV) The main items and reasons of the change beyond 30% in the consolidated financial statements

Unit: RMB in millions

Balance Sheet	As at 30 June 2021	As at 31 December 2020	Change	Reason(s) of change
Financial assets purchased under agreements to resell	5,658	1,832	208.8%	The allocation of investment assets and the requirement of liquidity management
Premiums receivable	5,369	2,312	132.2%	Accumulated increase of insurance business and uneven distribution among quarters
Cash and cash equivalents	16,896	12,993	30.0%	The requirement of liquidity management
Financial liabilities at fair value through profit or loss	2,753	14,837	-81.4%	Decrease of payables to the third party investors of controlled structured entities
Financial assets sold under agreements to repurchase	2,149	41,888	-94.9%	The allocation of investment assets and the requirement of liquidity management
Policyholder dividends payable	650	3	21,566.7%	The impact of the timing of the dividend announcement
Premiums received in advance	270	6,458	-95.8%	The impact of business development pace

Unit: RMB in millions

Income Statement	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Change	Reason(s) of change
Net change in unearned premiums liabilities	(154)	(619)	-75.1%	Decrease of short-term insurance business
Investment income	30,542	20,751	47.2%	Increase in net realized gains on investment assets
Policyholder dividends	(663)	(190)	248.9%	Increase of participating business profit and growth of participating business
Finance costs	(401)	(771)	-48.0%	Decrease of interest expenses for financial assets sold under agreements to repurchase
Income tax expenses	(1,538)	(1,035)	48.6%	Increase of profit
Other comprehensive income, net of tax	(1,424)	2,902	N/A	The effect change in fair value of available-for-sale financial assets due to the fluctuation of capital market

II. BUSINESS ANALYSIS

(I) Insurance business

COVID-19 continued to sweep the world in the first half of 2021 and the external circumstance was still severe and complex. The life insurance industry embarked on the journey of deep transformation and adjustment. Staying committed to the general principle of “seeking progress while ensuring stability”, New China Life worked hard to build professional distribution channel and enhance risk prevention and control. All businesses developed smoothly.

First, GWP steadily rose. As of 30 June 2021, the Company realized GWP of RMB100,610 million, increasing by 3.9% year on year. First year premiums from long-term insurance business amounted to RMB30,001 million, growing by 0.5% year on year. First year regular premiums from long-term insurance business realized RMB14,371 million, increasing by 6.8% year on year. The renewal premiums reached RMB66,991 million, rising by 6.9% year on year.

Second, embedded value constantly increased. As of 30 June 2021, the embedded value of the Company reached RMB250,766 million, increasing by 4.2% compared with the end of last year. The value of the first half year’s new business reached RMB4,090 million, decreasing by 21.7% year on year.

Third, business structure remained sound. Focusing on regular premium business, the Company offered differentiated products and specialized marketing support. The business structure was balanced and sound. In terms of the structure of premiums, first year premiums from long-term insurance business accounted for 29.8% of GWP, while first year regular premiums from long-term insurance business accounted for 47.9% of first year premiums from long-term insurance business. Renewal premiums accounted for 66.6% of GWP. With respect to the structure of insurance products, first year premiums from long-term traditional insurance and long-term health insurance in aggregate accounted for 49.9% of total first year premiums from long-term insurance business, while first year premiums from long-term participating insurance accounted for 50.1% of total first year premiums from long-term insurance business.

Fourth, business quality maintained basically stable. In the first half of 2021, the 13-month persistency ratio and 25-month persistency ratio of individual life insurance business were 88.8% and 85.8%, down by 2.2 percentage points and up by 1.2 percentage points year on year respectively. The surrender rate was 1.0% in the first half of 2021, increasing by 0.3 percentage point year on year.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB in millions

For the six months ended 30 June	2021	2020	Change
GWP	100,610	96,879	3.9%
First year premiums from long-term insurance business	30,001	29,862	0.5%
Regular premiums	14,371	13,460	6.8%
Regular premiums with payment periods of ten years or more	3,817	4,969	-23.2%
Single premiums	15,630	16,402	-4.7%
Renewal premiums	66,991	62,695	6.9%
Premiums from short-term insurance business	3,618	4,322	-16.3%

1. Analysis by distribution channels

Unit: RMB in millions

For the six months ended 30 June	2021	2020	Change
Individual insurance channel			
First year premiums from long-term insurance business	10,223	10,329	-1.0%
Regular premiums	9,653	9,800	-1.5%
Single premiums	570	529	7.8%
Renewal premiums	57,642	53,099	8.6%
Premiums from short-term insurance business	2,016	2,830	-28.8%
Total	69,881	66,258	5.5%
Bancassurance channel			
First year premiums from long-term insurance business	19,563	19,507	0.3%
Regular premiums	4,702	3,659	28.5%
Single premiums	14,861	15,848	-6.2%
Renewal premiums	9,343	9,592	-2.6%
Premiums from short-term insurance business	27	44	-38.6%
Total	28,933	29,143	-0.7%
Group insurance			
First year premiums from long-term insurance business	215	26	726.9%
Renewal premiums	6	4	50.0%
Premiums from short-term insurance business	1,575	1,448	8.8%
Total	1,796	1,478	21.5%
GWP	100,610	96,879	3.9%

Note: Numbers may not be additive due to rounding.

(1) Individual life insurance business

① Individual insurance channel

In the first half of 2021, individual insurance channel stepped up efforts in customer management, explored the way to support marketing and promoted the transition to new critical illness insurance products. Individual insurance channel achieved premiums of RMB69,881 million, growing by 5.5% year on year. First year regular premiums from long-term insurance business amounted to RMB9,653 million, reducing by 1.5% year on year. Premiums from short-term insurance business amounted to RMB2,016 million, decreasing by 28.8% year on year. Renewal premiums reached RMB57,642 million, increasing by 8.6% year on year.

Traditional marketing model in the insurance industry suffered setbacks in the first half of 2021. The Company actively explored the way to transform traditional marketing models and cleaned the agent headcount. As at 30 June 2021, agent headcounts in individual insurance channel reached totaled 441,000, down by 16.2% year on year. The monthly average number of qualified agents⁽¹⁾ was 105,000, reducing by 22.2% year on year. And monthly average qualified rate⁽²⁾ was 19.1%, decreasing by 7.3 percentage points year on year. The monthly average comprehensive productivity per capita⁽³⁾ was RMB3,105, decreasing by 13.2% year on year.

② Bancassurance channel

In the first half of 2021, bancassurance channel strengthened cooperation with important partners and boosted the growth of regular premiums. As at 30 June 2021, bancassurance channel achieved premiums of RMB28,933 million, decreasing by 0.7% year on year. First year regular premiums from long-term insurance business amounted to RMB4,702 million, growing by 28.5% year on year. Renewal premiums amounted to RMB9,343 million, reducing by 2.6% year on year.

(2) Group insurance business

In the first half of 2021, group insurance strengthened compliance operation and optimized marketing network, including direct marketing, cross-marketing and agency. As of 30 June 2021, group insurance realized premiums of RMB1,796 million, increasing by 21.5% year on year. Premiums from short-term group insurance business amounted to RMB1,575 million, increasing by 8.8% year on year. The Company always serves the social livelihood and realizes premiums from policy-oriented health insurance of RMB394 million, increasing by 60.8% year on year. The policy-oriented health insurance business covered 4,212 thousand customers.

Notes:

1. Monthly average number of qualified agents = (Σnumber of qualified agents in a month)/the number of months in the reporting period, where monthly number of qualified agents refers to the number of agents who have issued one insurance policy or more (including card-type short-term accident insurance policy) which are not cancelled by policy holders in a month and whose first year commission in the month is equal to or greater than RMB800.
2. Monthly average qualified rate = monthly average number of qualified agents/monthly average number of agents*100%. Monthly average number of agents={Σ [(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.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

2. Analysis by types of insurance products

Unit: RMB in millions

For the six months ended 30 June	2021	2020	Change
GWP	100,610	96,879	3.9%
Participating insurance⁽¹⁾	36,338	40,054	-9.3%
First year premiums from long-term insurance business	15,040	16,395	-8.3%
Renewal premiums	21,298	23,659	-10.0%
Premiums from short-term insurance business	—	—	—
Health insurance	33,312	32,021	4.0%
First year premiums from long-term insurance business	4,568	5,531	-17.4%
Renewal premiums	26,212	23,436	11.8%
Premiums from short-term insurance business	2,532	3,054	-17.1%
Traditional insurance	29,918	23,581	26.9%
First year premiums from long-term insurance business	10,393	7,936	31.0%
Renewal premiums	19,460	15,579	24.9%
Premiums from short-term insurance business	65	66	-1.5%
Accident insurance	1,021	1,202	-15.1%
First year premiums from long-term insurance business	—	—	—
Renewal premiums	—	—	—
Premiums from short-term insurance business	1,021	1,202	-15.1%
Universal insurance⁽¹⁾	21	21	—
First year premiums from long-term insurance business	—	—	—
Renewal premiums	21	21	—
Premiums from short-term insurance business	—	—	—
Unit-linked insurance	—	—	—
First year premiums from long-term insurance business	—	—	—
Renewal premiums	—	—	—
Premiums from short-term insurance business	—	—	—

Notes:

- Participating health insurance is included in the participating insurance. Universal health insurance is included in the universal insurance.
- “—” means less than RMB500,000.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2021, the Company achieved first year premiums from long-term traditional insurance of RMB10,393 million, growing by 31.0% year on year. First year premiums from long-term participating insurance amounted to RMB15,040 million, decreasing by 8.3% year on year. First year premiums from long-term health insurance reached RMB4,568 million, decreasing by 17.4% year on year.

3. Analysis by branches

Unit: RMB in millions

For the six months ended 30 June	2021	2020	Change
GWP	100,610	96,879	3.9%
Shandong Branch	9,814	9,274	5.8%
Henan Branch	8,588	7,581	13.3%
Beijing Branch	6,868	5,932	15.8%
Guangdong Branch	5,929	5,786	2.5%
Jiangsu Branch	5,375	4,840	11.1%
Shaanxi Branch	5,114	5,045	1.4%
Zhejiang Branch	5,001	4,750	5.3%
Hubei Branch	4,790	4,814	-0.5%
Hunan Branch	3,769	3,552	6.1%
Inner Mongolia Branch	3,715	4,181	-11.1%
Other Branches	41,647	41,124	1.3%

In the first half of 2021, about 58.6% of GWP of the Company were derived from the ten branches in populous areas or developed regions such as Shandong, Henan and Beijing.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

4. Business quality

For the six months ended 30 June	2021	2020	Change
Persistency ratio of individual life insurance business			
13-month persistency ratio ⁽¹⁾	88.8%	91.0%	-2.2pt
25-month persistency ratio ⁽²⁾	85.8%	84.6%	1.2pt

Notes:

- 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.
- 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.

5. Analysis on claims and interests of policyholders

Unit: RMB in millions

For the six months ended 30 June	2021	2020	Change
Surrender value	8,561	5,476	56.3%
Insurance benefits and claims	26,112	29,606	-11.8%
Claims recoverable	(855)	(587)	45.7%
Policyholder dividends resulting from participating in profits	663	190	248.9%
Net change in insurance contract liabilities	67,253	55,298	21.6%

Surrender value increased by 56.3% year on year due to the increase of insurance policies for certain products.

Claims recoverable increased by 45.7% year on year because of the increase of business ceded out.

Policyholder dividends resulting from participating in profits increased by 248.9% year on year mainly due to the increase of participating business profit and continuous growth of participating business.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB in millions

For the six months ended 30 June	2021	2020	Change
Insurance benefits and claims	26,112	29,606	-11.8%
Participating insurance ⁽¹⁾	18,710	23,864	-21.6%
Health insurance	5,043	3,436	46.8%
Traditional insurance	2,050	2,019	1.5%
Accident insurance	296	275	7.6%
Universal insurance ⁽¹⁾	13	12	8.3%
Insurance benefits and claims	26,112	29,606	-11.8%
Claims	1,745	1,292	35.1%
Annuity benefits	5,996	6,260	-4.2%
Maturity and survival benefits	13,799	18,727	-26.3%
Casualty and medical benefits	4,572	3,327	37.4%

Note:

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

In the first half of 2021, insurance benefits and claims decreased by 11.8% year on year. Maturity and survival benefits decreased by 26.3% year on year.

6. Analysis on commission and brokerage expense

Unit: RMB in millions

For the six months ended 30 June	2021	2020	Change
Commission and brokerage expense⁽¹⁾	8,980	9,617	-6.6%
Participating insurance ⁽²⁾	574	724	-20.7%
Health insurance	5,912	7,283	-18.8%
Traditional insurance	2,244	1,279	75.4%
Accident insurance	250	331	-24.5%
Universal insurance ⁽²⁾	—	—	—

Notes:

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

In the first half of 2021, the commission and brokerage expense of insurance business decreased by 6.6% year on year mainly due to differentiated product offering.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

7. Analysis on insurance contract liabilities

Unit: RMB in millions

Components	As at 30 June 2021	As at 31 December 2020	Change
Unearned premiums liabilities	2,453	2,349	4.4%
Outstanding claims liabilities	1,903	1,802	5.6%
Life insurance liabilities	681,507	634,501	7.4%
Long-term health insurance liabilities	132,866	115,757	14.8%
Insurance contract liabilities in total	818,729	754,409	8.5%
Participating insurance ⁽¹⁾	539,147	517,162	4.3%
Health insurance	118,129	101,475	16.4%
Traditional insurance	160,290	134,622	19.1%
Accident insurance	1,136	1,124	1.1%
Universal insurance ⁽¹⁾	27	26	3.8%
Insurance contract liabilities in total	818,729	754,409	8.5%
Including: Residual margin ⁽²⁾	230,471	227,161	1.5%

Notes:

1. Participating health insurance is included in the participating insurance. Universal health insurance is included in the universal insurance.
2. 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.

The insurance contract liabilities as at 30 June 2021 increased by 8.5% compared with the end of 2020 mainly due to the increase of insurance business and accumulation of insurance liabilities. As at the date of the balance sheet, all types of insurance contract liabilities of the Company passed the adequacy test.

(II) Asset management business

In the first half of 2021, China's economy has gradually returned to the new normal after strong rebound. There are signs of weakening domestic and foreign demands. Investment and consumption are still recovering. The consumption and fixed assets investment have not yet grown to the same period in 2019. In addition, there was no significant improvement in "low interest rates and asset shortages". High-yield and high-quality projects are still scarce. Faced with complex and severe market conditions, the Company closely focused on core business indicators in asset management business. Through professional, compliant, and market-oriented operation, the Company strictly exercised investment discipline, advanced various businesses and achieved certain results in accordance with the requirements of safety, liquidity and profitability.

The Company mostly invested in debt financial assets. On the one hand, the Company timely invested in debt financial assets based on the attributes of liabilities. While adopting short-duration investment strategy as transition in this year considering inflation risks, the Company still pursues long-duration investment strategy in the medium and long-term. The Company continued to invest in local government bonds with eligible return. On the other hand, the Company has stepped up research on credit products, and invested in high-quality financial products to consolidate investment return under the premise of controllable risks. As at 30 June 2021, the debt financial assets of the Company amounted to RMB559,711 million, accounting for 57.2% of total investment assets, a decrease of 1.6 percentage points compared with the end of last year.

In terms of equity financial assets, the Company focused on value-oriented investment and absolute return. Through judging market conditions, the Company actively adjusted structures and seized swing trading and market opportunities to achieve investment return. As at 30 June 2021, the equity financial assets of the Company amounted to RMB208,903 million, accounting for 21.3% of total investment assets, a decrease of 0.1 percentage point compared with the end of last year.

Meanwhile, the Company continued to strengthen research on equity products and strategic investment varieties, and increased the investment at the proper time based on the characteristics and requirements of insurance funds.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

1. Investment portfolio

Unit: RMB in millions

	As at 30 June 2021		As at 31 December 2020		Amount change
	Amount	Proportion	Amount	Proportion	
Investment assets	979,339	100.0%	965,653	100.0%	1.4%
Classified by investment type					
Term deposits ⁽¹⁾	130,540	13.3%	122,640	12.7%	6.4%
Debt financial assets	559,711	57.2%	567,171	58.8%	-1.3%
– Bonds	393,100	40.1%	390,587	40.4%	0.6%
– Trust products	91,558	9.4%	99,831	10.3%	-8.3%
– Debt plans ⁽²⁾	41,396	4.2%	41,135	4.3%	0.6%
– Asset funding plans	1,900	0.2%	–	–	–
– Others ⁽³⁾	31,757	3.3%	35,618	3.8%	-10.8%
Equity financial assets	208,903	21.3%	206,290	21.4%	1.3%
– Funds	57,306	5.8%	55,858	5.8%	2.6%
– Stocks ⁽⁴⁾	77,232	7.9%	85,364	8.8%	-9.5%
– Others ⁽⁵⁾	74,365	7.6%	65,068	6.8%	14.3%
Investments in associates and joint ventures	5,153	0.5%	4,967	0.5%	3.7%
Cash and cash equivalents ⁽¹⁾	16,896	1.7%	12,993	1.3%	30.0%
Other investment assets ⁽⁶⁾	58,136	6.0%	51,592	5.3%	12.7%
Classified by investment purpose					
Financial assets at fair value through profit or loss	34,918	3.6%	32,298	3.3%	8.1%
Available-for-sale financial assets	407,410	41.6%	426,703	44.2%	-4.5%
Held-to-maturity investments	282,741	28.9%	273,076	28.3%	3.5%
Loans and others ⁽⁷⁾	249,117	25.4%	228,609	23.7%	9.0%
Investment in associates and joint ventures	5,153	0.5%	4,967	0.5%	3.7%

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, asset management products, certificates of deposit and wealth management products, etc.
- Stocks include common stocks and preferred stocks.
- Others include asset management products, private equity, equity plans, unlisted equity investments and perpetual bonds, etc.
- Other investment assets mainly include statutory deposits, policy loans, financial assets purchased under agreements to resell, dividend receivables and interest receivables, etc.
- Loans and others mainly include term deposits, cash and cash equivalents, statutory deposits, policy loans, financial assets purchased under agreements to resell, dividend receivables, interest receivables, loans and receivables, etc.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

2. Investment income

Unit: RMB in millions

For the six months ended 30 June	2021	2020	Change
Interest income from cash and cash equivalents	67	84	-20.2%
Interest income from term deposits	2,691	1,888	42.5%
Interest income from debt financial assets	13,131	13,449	-2.4%
Dividend income from equity financial assets	4,431	2,815	57.4%
Interest income from other investment assets ⁽¹⁾	1,060	895	18.4%
Net investment income⁽²⁾	21,380	19,131	11.8%
Realized gains/(losses) on investment assets	10,945	5,912	85.1%
Unrealized gains/(losses)	(3)	(1,948)	-99.8%
Impairment losses on investment assets	(1,484)	(2,344)	-36.7%
Share of results of associates and joint ventures under equity method	279	253	10.3%
Total investment income⁽³⁾	31,117	21,004	48.1%
Annualized net investment yield ⁽⁴⁾	4.5%	4.6%	-0.1pt
Annualized total investment yield ⁽⁴⁾	6.5%	5.1%	1.4pt

Notes:

- Interest income from other investment assets includes interest income from statutory deposits, policy loans and financial assets purchased under agreements to resell, etc.
- 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 expenses of financial assets sold under agreements to repurchase)/(monthly average investment assets – monthly average financial assets sold under agreements to repurchase – monthly average interest receivables) *2.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

3. *Investment in non-standard assets*

The overall credit risks of non-standard assets that the Company currently holds are within control with most of the underlying assets being loans in institutional financing of non-banking sectors, infrastructure financing and commercial real estate financing. The enterprises involved are industrial giants, large financial institutions, central enterprises and important state-owned enterprises in the first and second tier cities. As at 30 June 2021, the non-standard assets amounted to RMB227,689 million, decreasing by RMB5,264 million compared with the end of last year, accounting for 23.2% of total investment assets, a decrease of 0.9 percentage point compared with the end of last year. The non-standard assets that the Company held had good credit enhancement measures. Apart from financing entities which are exempted from credit enhancement requirements by regulatory authorities, most of non-standard assets take the following credit enhancement measures, such as mortgage and pledge, joint guarantee, repurchase agreement, and management of funds, so the non-standard assets are with high quality and low risk.

(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 96.0% of total non-standard assets as at 30 June 2021. The overall credit risk was limited.

Ratings of Financial Products

Credit rating	Proportion
AAA	96.0%
AA+	2.5%
AA	1.5%
Total	100.0%

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

(2) Investment portfolio

Unit: RMB in millions

As at 30 June 2021	Amount	Proportion	Proportion change compared with the end of last year	Amount change compared with the end of last year
Non-standard debt investments	162,442	71.3%	-3.8pt	(12,619)
– Trust product	91,558	40.2%	-2.6pt	(8,273)
– Debt plan	41,396	18.2%	0.5pt	261
– Project asset support plan	1,900	0.8%	0.8pt	1,900
– Wealth management product	23,543	10.3%	-2.2pt	(5,507)
– Perpetual bond	4,000	1.8%	-0.3pt	(1,000)
– Asset management plan	45	–	–	–
Non-standard equity investments	65,247	28.7%	3.8pt	7,355
– Asset management plan	31,714	13.9%	2.2pt	4,603
– Private equity	10,663	4.7%	0.7pt	1,252
– Unlisted equity	16,570	7.3%	0.2pt	–
– Equity investment plan	6,300	2.8%	0.7pt	1,500
Total	227,689	100.0%		(5,264)

(3) Major management institutions

Unit: RMB in millions

As at 30 June 2021	Paid amount	Proportion
New China Asset Management Co., Ltd.	54,649	24.0%
Shanghai Pudong Development Bank Co., Ltd.	23,480	10.3%
CITIC Trust Co., Ltd.	14,697	6.4%
Zhongrong International Trust Co., Ltd.	14,043	6.2%
Huaneng Guicheng Trust Co., Ltd.	12,788	5.6%
Everbright Xinglong Trust Co., Ltd.	12,469	5.5%
Zhongyuan Trust Co., Ltd.	7,739	3.4%
Generali China Asset Management Co., Ltd.	6,823	3.0%
China Fortune International Trust Co., Ltd.	4,985	2.2%
Zhongying Yili Asset Management Co., Ltd. (中英益利資產管理股份有限公司)	4,750	2.1%
Total	156,423	68.7%

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS BY COMPONENT

(I) Solvency

New China Life Insurance Company Ltd. 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 in millions

	As at 30 June 2021	As at 31 December 2020	Reason(s) of change
Core capital	285,025	280,817	Profit earned for the reporting period, changes in fair value of available-for-sale financial assets and growth in insurance business
Actual capital	295,025	290,817	
Minimum capital	109,401	104,672	Growth and structural changes in insurance and investment business
Core solvency margin ratio⁽¹⁾	260.53%	268.28%	
Comprehensive solvency margin ratio⁽¹⁾	269.67%	277.84%	

Note:

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

(II) Liquidity

1. Gearing ratio

	As at 30 June 2021	As at 31 December 2020
Gearing ratio ⁽¹⁾	89.6%	89.9%

Note:

1. Gearing ratio = total liabilities/total assets.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

2. *Analysis of consolidated statement of cash flows*

Unit: RMB in millions

For the six months ended 30 June	2021	2020	Change
Net cash flows from operating activities	42,068	42,750	-1.6%
Net cash flows from investing activities	(14,214)	(31,803)	-55.3%
Net cash flows from financing activities	(23,905)	(10,982)	117.7%

The net cash inflows from operating activities in the first half of 2021 decreased slightly compared with the same period of last year.

The net cash outflows from investing activities in the first half of 2021 decreased by 55.3% compared with the same period of last year mainly due to the increase of cash from disinvestment and the decrease of cash paid for investment.

The net cash outflows from financing activities in the first half of 2021 increased by 117.7% compared with the same period of last year mainly due to the increase of cash paid for financial assets sold under agreements to repurchase.

3. *Source and use of liquidity*

The principal cash inflows of the Company are comprised of insurance premiums, income from non-insurance contracts, proceeds from sales and maturity of investment assets and investment income. The liquidity risks with respect to these cash inflows primarily arise from surrenders of policyholders and contract holders, defaults by debtors, fluctuation of interest rate and other market fluctuations. The Company closely monitors and manages these risks.

The cash and bank deposits of the Company provided liquidity resources to satisfy the requirements of cash outflows. Substantially all of the Company's term deposits were available for utilization subject to interest losses. As of the end of the reporting period, cash and cash equivalents amounted to RMB16,896 million and term deposits amounted to RMB130,540 million. Moreover, the investment portfolio also provided liquidity resources to satisfy the requirements of unexpected cash outflows. As of the end of the reporting period, the book value of debt financial assets amounted to RMB559,711 million, and the book value of equity financial assets amounted to RMB208,903 million.

The principal cash outflows of the Company are comprised of liabilities associated with various life insurance, annuity insurance, accident insurance and health insurance products, 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 insurance activities primarily relate to benefit payments of insurance products, as well as payments for policy surrenders and policy loans.

The Company believes that its sources of liquidity are sufficient to meet its current cash requirements.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

(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.

1. Premiums ceded out for reinsurers

Unit: RMB in millions

For the six months ended 30 June	2021	2020
Swiss Reinsurance Company Ltd. Beijing Branch	786	863
China Life Reinsurance Company Ltd.	321	369
Others ⁽¹⁾	167	246
Total	1,274	1,478

Note:

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

2. Premiums ceded out by insurance products

Unit: RMB in millions

For the six months ended 30 June	2021	2020
Life insurance	153	142
Health insurance	1,103	1,318
Accident insurance	18	18
Total	1,274	1,478

IV. FUTURE PROSPECTS

(I) Market environment and operation plan

At present, life insurance industry has entered a new development stage. Traditional marketing models has changed, digital transformation accelerated and diversified competition became fiercer. While ushering in new development opportunities, the industry also saw many influences. In the second half of 2021, the Company under high-quality Party building, will adhere to return to the essence of insurance, optimize products and services offering, strengthen technological empowerment, and strictly prevent and control risks to promote business growth throughout the year.

The first is to accelerate the transformation of sales team and improve its quality. While ensuring the recruitment of high-quality agents and continuing to recruit more qualified agents, the Company will explore multi-dimensional and tiered management, step up training and policy support, and take multiple measures to cultivate high-quality sales team.

The second is to optimize product offering and improve industrial coordination. Focusing on customers' needs, the Company will optimize and improve product system, make full use of the resources from old-age care and healthcare industry and wealth management to enhance the supply of products and services in key areas such as health and old-age care.

The third is to foster innovation and strengthen scientific and technological support. The Company will strengthen research on business innovation, enhance the application and support of innovation, strengthen the support of technological tools to comprehensively improve the operation and management capabilities with the help of digital and intelligent tools.

The fourth is to strengthen risk control and practice compliance operation. The Company will focus on risk prevention, strengthen compliance promotion and inspection, clarify front-line risk control and compliance responsibilities, strive to monitor and identify risks, and give early warning to firmly control risks and promote compliance management.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Possible risks and measures to be taken

1. *Possible risks*

Since the outbreak of COVID-19, the complex internal and external environments have exacerbated the interaction of market, credit and liquidity risks. Financial risks would accumulate rapidly. Although China's economy has gradually recovered from the pandemic and shown a rosy prospect in the medium and long-term, there are still uncertainties in the prevention and control of the pandemic across the world. The global economic recovery is anemic due to sluggish global demands and inflation of commodities. As global quantitative easing brings low interest rate and entities are downgraded in domestic bond market and defaults increase, insurance funds suffered great pressure in safety and income. Asset allocation faces much difficulty. It is more difficult to match assets liabilities durations and cost benefit. In addition, as continued efforts have been made to rectify market chaos and strengthen the protection of consumer rights, the reputation of insurance industry improved. However, matters such as corporate governance, infringement of consumer rights and interests, claim complaints, as well as illegal fund-raising cases due to the rapid development of Internet finance in recent years are still likely to trigger sensation in the public. The rapid development of new technologies such as big data and artificial intelligence is gradually changing online public opinion, and new media such as self-media and short videos further expedite the circulation of public opinion. The rapid and wide spread of public opinion and high correlation with industrial peers bring new challenges to the prevention and control of reputation risk.

2. *Measures to be taken*

In order to deal with the above possible risks, the Company will take the following measures to prevent and control risks: (1) step up macroeconomic and industry research, and prudently forecast domestic and international market trends; (2) pre-emptively manage equity asset positions and regularly conduct pressure tests towards its impact on investment income and solvency, maintain controllable risk exposures, and ensure that the risk-return characteristics of investment portfolio meet the risk management requirements; (3) persist in prudent and value-oriented investment, and focus on asset-liability matching and select assets with potential value appreciation, and pursue medium and long-term investment return; (4) implement a strict internal credit and credit rating system for counterparties, strictly control credit investment products; strengthen the credit enhancement arrangement for investment in non-standard financial products to prevent credit risks; and (5) adhere to advance reputation risk prevention, and establish a normalized management mechanism in the long run, and build a reputation risk management system covering all lines and institutions in daily monitoring, response and handling. At the same time, the Company strengthens the construction of consumer rights protection mechanism, and case prevention and control system to build regular monitoring, investigation and review, as well as a publicity and education mechanism to prevent and control the source of risks.

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. ("NCL") has prepared embedded value results for the first half year ended 30 June 2021 ("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 NCL to review its EV Results as of 30 June 2021. This report is addressed solely to NCL 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 NCL 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 2021, 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 2021; and
- A review of the results of NCL's calculation of the EV Results, comprising:
 - the embedded value and the value of first half year's new business as at 30 June 2021;
 - the sensitivity tests of the value of in-force business and value of first half year's new business as at 30 June 2021; and
 - the analysis of change of the embedded value from 31 December 2020 to 30 June 2021.

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

SECTION 5

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 2021 interim report are consistent with those reviewed by WTW.

For and on behalf of WTW

Lingde Hong, FSA, CCA

Stanley Lu, FSA

26 August 2021

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 2021 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 PRC, 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.

SECTION 5

EMBEDDED VALUE

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 P.R.C. GAAP reserves and reserves under the “Appraisal of Embedded Value” standard.

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 CBIRC.

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 value of in-force business and the value of first half year's new business as at 30 June 2021, 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% p.a.

(2) Investment Returns

The table below shows investment return assumptions for the main funds to calculate VIF and the Value of First Half Year's New Business.

	2021	2022	2023	2024+
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	6.00%	6.00%	6.00%	6.00%
New Non-participating	6.00%	6.00%	6.00%	6.00%
Specific participating	6.00%	6.00%	6.00%	6.00%
Specific Non-participating	5.25%	5.25%	5.25%	5.25%
Specific participating II	5.50%	5.50%	5.50%	5.50%

Note:

- Investment return assumptions are applied to calendar year.
- The new product "NCI Wendefu Endowment Insurance (Participating)" has been sold since March 2021. Capital of this product is managed solely in fund Specific participating II.

(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, and taking into consideration future morbidity deterioration trend. Morbidity assumptions are expressed as a percentage of "China Life Insurance Experienced Critical Illness Table (2020)".

SECTION 5

EMBEDDED VALUE

(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.

(10) Cost of Required Capital

It is assumed that 100% of the minimum capital requirement prescribed by the CBIRC 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 2021 and their corresponding results as at prior valuation date.

Embedded Value

Unit: RMB in millions

Valuation Date	30 June 2021	31 December 2020
Adjusted Net Worth	155,519	147,291
Value of In-Force Business Before Cost of Required Capital Held	119,883	115,285
Cost of Required Capital Held	(24,636)	(21,972)
Value of In-Force Business After Cost of Required Capital Held	95,247	93,313
Embedded Value	250,766	240,604

Notes:

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

Value of First Half Year's New Business

Unit: RMB in millions

Valuation Date	30 June 2021	30 June 2020
Value of First Half Year's New Business Before		
Cost of Required Capital Held	5,725	6,853
Cost of Required Capital Held	(1,635)	(1,632)
Value of First Half Year's New Business After		
Cost of Required Capital Held	4,090	5,221

Notes:

1. Numbers may not be additive due to rounding.
2. The first year premiums used to calculate the value of first half year's new business as at 30 June 2021 and 30 June 2020 were RMB33,505 million and RMB34,190 million respectively.
3. The impact of major reinsurance contracts has been reflected in the value of first half year's new business.

SECTION 5

EMBEDDED VALUE

Value of First Half Year's New Business by Channel

Unit: RMB in millions

Valuation Date	30 June 2021	30 June 2020
Individual insurance channel	3,905	5,153
Bancassurance channel	292	200
Group insurance channel	(107)	(132)
Total	4,090	5,221

Notes:

- Numbers may not be additive due to rounding.
- The first year premiums used to calculate the value of first half year's new business as at 30 June 2021 and 30 June 2020 were RMB33,505 million and RMB34,190 million respectively.
- The impact of major reinsurance contracts has been reflected in the value of first half year's new business.

5. ANALYSIS OF CHANGE

The analysis of change in Embedded Value from 31 December 2020 to 30 June 2021 is shown below.

Unit: RMB in millions

Analysis of Change in EV from 31 December 2020 to 30 June 2021	
1. EV at the beginning of period	240,604
2. Impact of Value of New Business	4,090
3. Expected Return	9,545
4. Operating Experience Variances	560
5. Economic Experience Variances	142
6. Operating Assumption Changes	–
7. Economic Assumption Changes	–
8. Capital Injection/Shareholder Dividend Payment	(4,336)
9. Others	113
10. Value Change Other Than Life Insurance Business	49
11. EV at the end of period	250,766

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, taxes and etc.) 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, etc.
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.

SECTION 5

EMBEDDED VALUE

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 summarized below.

Unit: RMB in millions

VIF and Value of First Half Year's New Business Sensitivity Results as at 30 June 2021	VIF after Cost of Required Capital Held	the Value of First Half Year's New Business after Cost of Required Capital Held
Scenarios		
Base Scenario	95,247	4,090
Risk Discount Rate at 11.5%	90,799	3,847
Risk Discount Rate at 10.5%	100,001	4,347
Investment Return 50bps higher	115,305	5,065
Investment Return 50bps lower	75,101	3,109
Expenses 10% higher (110% of Base)	93,436	3,376
Expenses 10% lower (90% of Base)	97,059	4,804
Discontinuance Rates 10% higher (110% of Base)	94,414	3,854
Discontinuance Rates 10% lower (90% of Base)	96,066	4,331
Mortality 10% higher (110% of Base)	94,376	4,049
Mortality 10% lower (90% of Base)	96,122	4,131
Morbidity and Loss Ratio 10% higher (110% of Base)	90,649	3,575
Morbidity and Loss Ratio 10% lower (90% of Base)	99,856	4,605
Profit Sharing between Participating Policyholders and Shareholders is assumed to be 75%/25% instead of 70%/30%	90,094	4,022

CORPORATE GOVERNANCE

I. CORPORATE GOVERNANCE

During the reporting period, the Company held three shareholders' general meeting, six meetings of the Board and five meetings of the board of supervisors in total. Announcements on resolutions of such meetings and relevant meeting documents have been published on the websites of the HKSE, the SSE and the Company as well as other relevant information disclosure media according to regulatory requirements. The shareholders' general meeting, the Board, the board of supervisors and senior management all operated legally and independently in accordance with the *Articles of Association* and relevant rules and procedures of the Company, and effectively performed their respective duties.

Shareholders' General Meeting

Session	Date	Place	Proposals	Media where resolutions were published	Date of publication of resolutions
The First Extraordinary General Meeting of 2021	2021-1-19	Beijing	<i>Proposal on the Election of Mr. XU Zhibin as a Non-executive Director of the Seventh Session of the Board</i>	www.hkexnews.hk www.sse.com.cn China Securities Journal, Shanghai Securities News	2021-1-19
The Second Extraordinary General Meeting of 2021	2021-4-28	Beijing	<i>Proposal on the Election of Mr. ZHANG Hong as an Executive Director of the Seventh Session of the Board of the Company, Proposal on the Election of Mr. LIU Debin as a Shareholder Representative Supervisor of the Seventh Session of the Board of Supervisors of the Company and other proposals</i>	www.hkexnews.hk www.sse.com.cn China Securities Journal, Shanghai Securities News	2021-4-28
The Annual General Meeting of 2020	2021-6-29	Beijing	<i>Proposal on the Preparation of Annual Financial Report for the Year 2020, Proposal on the Profit Distribution Plan for the Year 2020 and other proposals</i>	www.hkexnews.hk www.sse.com.cn China Securities Journal, Shanghai Securities News	2021-6-29

Note: For the attendance and voting results of meetings mentioned above, please refer to announcements on resolutions of such meetings published by the Company in the relevant media.

Chairman and Chief Executive Officer

According to the *Articles of Association*, the chairman shall preside over the shareholders' general meeting, convene and preside over the Board meeting, and exercise other powers granted by the Board. The CEO is held accountable for the Board and in charge of operation and management of the Company. The duties between the chairman and CEO are clearly defined in the *Articles of Association*. On 20 January 2021, Mr. LIU Haoling resigned from his positions as the chairman, a non-executive director and the chairman of the Strategy Committee of the Board due to work related reasons. The first extraordinary general meeting of 2021 held by the Company on 19 January 2021 elected Mr. XU Zhibin as a non-executive director of the seventh session of the Board. The 16th meeting of the seventh session of the Board held on 25 January 2021 elected Mr. XU Zhibin as the chairman of seventh session of the Board and the chairman of the Strategy Committee of the Board, and the qualification of Mr. XU Zhibin is still subject to the ratification by the CBIRC.

SECTION 6

CORPORATE GOVERNANCE

According to the *Articles of Association*, more than half of directors shall jointly elect one director to preside over the shareholders' general meeting, convene and preside over the Board meeting when Mr. LIU Haoling resigned as chairman. During the reporting period, Mr. LI Quan worked as the chief executive officer of the Company.

During the reporting period, except for the disclosure in this report, the Company complied with all the code provisions in the *Corporate Governance Code* and adopted most of the best practices set out therein.

Compliance with the Model Code

The Company has formulated the *Administrative Measures for Shareholding and Changes Thereof of Directors, Supervisors and Senior Management of New China Life Insurance Company Ltd.* (《新華人壽保險股份有限公司董事、監事和高級管理人員所持公司股份及其變動管理辦法》) 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*. After specific enquiries with 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* and *Administrative Measures for Shareholding and Changes Thereof of Directors, Supervisors and Senior Management of New China Life Insurance Company Ltd.*

II. IMPLEMENTATION OF PROFIT DISTRIBUTION PLAN DURING THE REPORTING PERIOD

According to the *Proposal on the Profit Distribution Plan for the Year 2020* approved by the Annual General Meeting of 2020, with the appropriation to its discretionary surplus reserve of RMB1,336 million (10% of the net profit recorded in the financial statements of the parent company for 2020), the Company distributed cash dividend of RMB1.39 (including tax) per share to all shareholders of the Company and completed the distribution of 2020 annual dividend on 6 August 2021.

The Company neither distributed interim dividend with profit earned for the reporting period nor increased shares with capital reserve in the first half of 2021.

III. COMPOSITION AND CHANGES IN DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

(I) Directors

1. Members of the Board

As of the date of the disclosure of this report, the Board consisted of 12 directors, including LI Quan, ZHANG Hong, YANG Yi, HU Aimin, LI Qiqiang, PENG Yulong, Edouard SCHMID, LI Xianglu, ZHENG Wei, CHENG Lie, GENG Jianxin and MA Yiu Tim.

2. Change of Directors

Name	Position	Detail	Status
XU Zhibin	Chairman, Non-executive Director	On 19 January 2021, the first extraordinary general meeting of 2021 of the Company elected Mr. XU Zhibin as a non-executive director of the seventh session of the Board. On 25 January 2021, the 16th meeting of the seventh session of the Board elected Mr. XU Zhibin as the chairman of the seventh session of the Board, and the qualification of Mr. XU Zhibin is still subject to the ratification by the CBIRC.	Elected
LIU Haoling	Chairman, Non-executive Director, Chairman of the Strategy Committee of the Board	On 20 January 2021, Mr. LIU Haoling resigned from the positions as the chairman, a non-executive director and the chairman of the Strategy Committee of the Board due to work related reasons.	Resigned
ZHANG Hong	Executive Director, Member of Strategy Committee and Investment Committee of the Board	On 28 April 2021, the second extraordinary general meeting of 2021 of the Company elected Mr. ZHANG Hong as an executive director of the seventh session of the Board. On 21 June 2021, the qualification of Mr. ZHANG Hong was ratified by the CBIRC.	Elected
YANG Yi	Non-executive Director, Chairman of Investment Committee of the Board, Member of Risk Management and Consumer Rights Protection Committee and Nomination and Remuneration Committee of the Board	On 26 May 2021, the 21st meeting of the seventh session of the Board of the Company considered and approved <i>Proposal on Adjusting the Members of the Nomination and Remuneration Committee of the Board of Directors</i> and agreed to elect director YANG Yi as a member of Nomination and Remuneration Committee of the Board.	Elected
Guo Ruixiang	Non-executive Director, Member of Investment Committee, Audit and Related Party Transaction Control Committee and Risk Management and Consumer Rights Protection Committee of the Board	On 18 August 2021, Mr. GUO Ruixiang resigned from the position as the non-executive director and member of Investment Committee, Audit and Related Party Transaction Control Committee and Risk Management and Consumer Rights Protection Committee of the Board due to work related reasons.	Resigned

SECTION 6

CORPORATE GOVERNANCE

Changes in Information of Directors

1. Mr. HU Aimin, the non-executive director of the Company, has ceased to be the general manager of Industrial Financial Development Center of China Baowu since February 2021.
2. Mr. LI Qiqiang, the non-executive director of the Company, has worked as the director of Hwabao Investment Co., Ltd. since March 2021, and ceased to be the chairman of board of directors of Hwabao Duding (Shanghai) Financial Leasing Co., Ltd. since May 2021.
3. Mr. ZHENG Wei, the independent non-executive director of the Company, has ceased to be the external supervisor of China CITIC Bank Co., Ltd. (a company listed on the SSE, stock code: 601998; the HKSE, stock code: 00998) since June 2021.

(II) Supervisors

1. Members of the Board of Supervisors

As of the date of the disclosure of this report, the board of supervisors of the Company consisted of 5 supervisors, including LIU Debin, YU Jiannan, SHI Hongyu, LIU Chongsong and WANG Zhongzhu.

2. Changes of Supervisors

Name	Position	Detail	Status
WANG Chengran	Chairman of the Board of Supervisors and Shareholder Representative Supervisor	On 8 April 2021, Mr. WANG Chengran resigned from the positions as the shareholder representative supervisor, the chairman of the board of supervisors and all other positions of the Company due to his age. On 17 June 2021, Mr. WANG Chengran ceased to perform his duties.	Resigned
LIU Debin	Chairman of the Board of Supervisors and Shareholder Representative Supervisor	On 28 April 2021, the second extraordinary general meeting of 2021 of the Company elected Mr. LIU Debin as a shareholder representative supervisor of the seventh session of the board of supervisors of the Company. On 15 June 2021, the qualification of Mr. LIU Debin was ratified by the CBIRC. On 29 June 2021, the 15th meeting of the seventh session of the board of supervisors of the Company elected Mr. LIU Debin as the chairman of the seventh session of the board of supervisors of the Company.	Elected
SHI Hongyu	Shareholder Representative Supervisor	On 28 April 2021, the second extraordinary general meeting of 2021 of the Company elected Mr. SHI Hongyu as a shareholder representative supervisor of the seventh session of the board of supervisors of the Company. On 15 June 2021, the qualification of Mr. SHI Hongyu was ratified by the CBIRC.	Elected

(III) Members of Senior Management

1. Members of Senior Management

As of the date of the disclosure of this report, senior management of the Company consisted of 9 members, including LI Quan, ZHANG Hong, YANG Zheng, LI Yuan, GONG Xingfeng, YU Zhigang, YUE Ran, YUAN Chaojun and WANG Lianwen.

2. Changes of Members of Senior Management

Name	Position	Detail	Status
ZHANG Hong	Vice President (principal level)	On 8 April 2021, the 19th meeting of the seventh session of the Board considered and approved <i>Proposal on the Appointment of Vice President and Member of Executive Committee</i> and agreed to appoint Mr. ZHANG Hong as vice president (principal level) and member of the executive committee of the Company. On 21 June 2021, the qualification of Mr. ZHANG Hong as vice president was ratified by the CBIRC.	Appointed

IV. 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

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 2021, 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*.

SECTION 6

CORPORATE GOVERNANCE

V. REMUNERATION POLICIES AND TRAINING PLAN FOR EMPLOYEES

As at 30 June 2021, there are a total of 35,438 employees who entered into employment contracts with the Company (including life insurance headquarters, 35 branches and major subsidiaries⁽¹⁾).

In accordance with characteristics of business and 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. As required by the PRC government, the Company provides employees with various social security and housing provident 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.

In the first half of 2021, online training towards position promotion and general ability covered 24,648 staff of the Company, and 5 NCI lectures were held covering 109,000 participants. The Company also actively carried out training for targeted employees to improve their skills.

In the first half of 2021, the Company organized a total of 29,027 training courses for sales agents with a total of 2,068,038 participants.

Meanwhile, the Company held special training on Party history with 5,355 Party members and cadres attended.

Note:

1. Major subsidiaries refer to subsidiaries whose 50% or more of the shares are being held by the Company.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. ENVIRONMENT INFORMATION

The Company has always adhered to a low-carbon and environment-friendly operation model, actively responded to climate change and promoted the construction of ecological civilization. When managing office decoration, the Company follows the principle of reasonable configuration, environmental protection and energy saving, and achieves the design goals of energy saving, high efficiency and low consumption through optimizing the design plan, controlling engineering technologies and materials. In daily office work, the Company takes measures to save energy and food and reduce emissions. In business development, the Company applies mobile platform and mobile terminals for customer and order management, thereby reducing paper consumption in the traditional marketing model.

II. SOCIAL RESPONSIBILITY

(I) Rural Revitalization

In the first half of 2021, in accordance with the major decision and deployment towards rural revitalization made by the CPC Committee and the State Council and the targeted alleviation plans of the Party Committee of China Investment Corporation, the Company steadily and effectively carried out various alleviation plans. The Company allocated RMB8 million to help construct No. 1 Middle School in Shibing County, Guizhou province, and RMB300,000 to support the professional skills and competency training of grassroots cadres in Shibing County.

(II) Other Social Responsibilities

1. In July 2021, a torrential rain and flood occurred in Henan province. New China Life Foundation (the “**Foundation**”) decided to donate RMB10 million to the disaster area in Henan province to support flood relief and post-disaster reconstruction.
2. In the first half of 2021, Foundation continued to carry out the “Public Welfare Activity for Sanitation Workers” nationwide. As at 31 July 2021, 840,000 sanitation workers benefited from the project in 142 cities who were provided accident insurance of RMB100,000 per person. The project has donated personal accident insurance with the total sum assured of RMB264,300 million and settled 245 claims with a total amount of RMB22,235 thousand since August 2017.
3. In the first half of 2021, the volunteer union of the Company organized 1,497 volunteer services, with a total number of 45,925 volunteers and total service hour of 31,384.5 hours.

SECTION 8

SIGNIFICANT EVENTS

I. CHANGES IN ACCOUNTING ESTIMATES

The Company determined actuarial assumptions which include assumptions on the discount rates, mortality rates, morbidity rates, expenses, policyholder dividends, surrender rates and etc. 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 2021, the Company reviewed the above assumptions based on the information available. Movements in liabilities of insurance contracts arising from the changes in the above assumptions were recognised in the statement of profit or loss. The aforementioned changes in accounting estimates resulted in an increase in life insurance liabilities by RMB1,454 million, an increase in long-term health insurance liabilities by RMB1,092 million as at 30 June 2021, which in aggregate reduced profit before income tax by RMB2,546 million for the six months ended 30 June 2021.

II. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

The Annual General Meeting of 2020 of the Company held on 29 June 2021 considered and approved the *Proposal on the Appointment of Accounting Firms for the Year 2021*, and resolved to appoint Ernst & Young Hua Ming LLP as the domestic auditor and Ernst & Young as the international auditor of the Company for the year 2021 respectively, to conduct auditing in 2021. For details, please refer to the *Poll Results of the Annual General Meeting of 2020, and Distribution of 2020 Annual Dividend* published by the Company on 29 June 2021.

III. CHARGE OF ASSETS

During the reporting period, the Company had no charge of assets.

IV. MAJOR INVESTMENT

During the reporting period, the Company had no major investment.

V. DISPOSAL AND ACQUISITION OF MAJOR ASSETS

During the reporting period, the Company had no disposal or acquisition of major assets.

VI. MAJOR CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD

According to the *Hong Kong Listing Rules*, the transaction between the Company and the Company's connected person (as stipulated in *Hong Kong Listing Rules*) constituted the connected transaction of the Company. The Company monitored and managed such transactions in strict accordance with the *Hong Kong Listing Rules* and abided by relevant rules and regulations of *Hong Kong Listing Rules*. Details of the related party transactions are set out in Note 24 to consolidated financial statements of this report. Such transactions did not constitute the connected transactions or continuing connected transactions as defined in Chapter 14A of *Hong Kong Listing Rules*.

VII. 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 brought the Company more than 10% (inclusive) of the Company's total profit. Nor there were loans or financial assistance to be disclosed.
- (II) During the reporting period, there was no external guarantee of the Company and its subsidiaries, and the Company and its subsidiaries did not provide any guarantee for its subsidiaries.
- (III) The utilization of insurance funds of the Company is carried out mainly through entrusted management and the diversified entrusted investment management system in which the internal investment managers are main players and external investment managers are the supplemental has taken shape. The internal investment managers include Asset Management Company and Asset Management Company (Hong Kong) and external investment managers comprise fund companies, asset management division of securities firms and other professional investment management institutions. The Company selects different investment management institutions according to the requirements of asset allocation, risk-return characteristics of different types of assets and the merits of each institution, so as to build diversified investment portfolios and improve the efficiency of insurance funds utilization. The Company enters into the entrusted investment management agreement with each manager, manages the investment activities through measures including investment guidance, asset custody, dynamic tracking and communication, assessment and evaluation, and takes targeted risk control measures according to the characteristics of different managers and investment targets.
- (IV) Unless otherwise disclosed in this report, the Company had no other material contract during the reporting period.

VIII. CREDIT OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER

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

IX. PERFORMANCE OF THE COMMITMENTS OF THE COMPANY OR SHAREHOLDERS WITH OVER 5% SHAREHOLDING DURING THE REPORTING PERIOD OR UNTIL THE REPORTING PERIOD

For details of the commitments made by Huijin, the controlling shareholder of the Company, to avoid horizontal competition, please refer to *Overseas Regulatory Announcement – Announcement on the Performance of Unfulfilled Commitments of the Company's Shareholders, Related Parties and the Company* published on 13 February 2014 by the Company.

During the reporting period, the commitments relating to avoidance of horizontal competition were still being fulfilled continuously and normally.

SECTION 8

SIGNIFICANT EVENTS

X. PENALTY AND RECTIFICATION OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, MEMBERS OF SENIOR MANAGEMENT AND CONTROLLING SHAREHOLDER

During the reporting period, the Company was not subject to any investigations for suspected crime. Neither the Company's controlling shareholder nor its directors, supervisors or members of senior management were subject to compulsory measures for suspected crimes. Neither the Company nor its controlling shareholders, directors, supervisors or members of senior management were subject to criminal penalties, or received investigations or administrative penalty for suspected violations of laws or regulations by the CSRC, or received major administrative penalty by other authority. Neither the Company's controlling shareholder nor its directors, supervisors or members of senior management were subject to serious violations of discipline and law or duty crimes which led to detention by discipline inspection and supervision departments and affected their performance of duties. The Company's directors, supervisors or members of senior management were not subject to compulsory measures that affect the performance of their duties for suspected violations of laws and regulations by other competent authorities.

XI. SIGNIFICANT LITIGATION AND ARBITRATION EVENTS

During the reporting period, the Company had no significant litigation or arbitration events.

XII. REVIEWS

Audit and Related Party Transaction Control Committee of the Board has reviewed the accounting standards and practices adopted by the Company and discussed internal control and financial statements, including the review of unaudited interim financial statements 2021 of the Company.

XIII. OTHER SIGNIFICANT EVENTS

To ensure the Company's sufficient solvency and to broaden the financing channels, the Company issued the capital supplementary bonds in the national inter-bank bond market in a principal amount of RMB10,000 million on 11 May 2020. As of the end of the reporting period, the remaining balance of debt financing instruments of the Company is RMB10,000 million. The bond has a 10-year maturity with fixed coupon rate of 3.3% per annum. The Company has a conditional right to redeem the bond at the end of the fifth year. If the Company does not exercise the right to redeem the bond at the end of the fifth year, the coupon rate of the bond will be 4.3% per annum in the later five years.

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 structure of the share capital of the Company.

Unit: share

	31 December 2020		Increase or decrease during the reporting period (+, -)					30 June 2021	
	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%

II. ISSUE OF SECURITIES

During the reporting period, the Company did not issue securities.

III. BUY BACK, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

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

IV. SHAREHOLDERS PROFILE

(I) Number of shareholders and their shareholdings

As of the end of the reporting period, there are 111,233 shareholders of the Company, including 110,955 A share shareholders and 278 H share shareholders.

SECTION 9

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

Shares held by top ten shareholders

Unit: share

Names of the shareholders	Total number of shares held	Percentage of the shareholding (%)	Increase or decrease of shareholding during the reporting period (+,-)	Number of shares held with selling restrictions ⁽¹⁾	Shares pledged or frozen			
					Status	Number of shares	Character of the shareholders	Types of shares
HKSCC Nominees Limited ⁽²⁾	1,033,250,331	33.12	-109,900	-	Unknown	Unknown	Overseas legal person shares	H
Central Huijin Investment Ltd.	977,530,534	31.34	-	-	-	-	State-owned shares	A
China Baowu Steel Group Corporation	377,162,581	12.09	-	-	-	-	State-owned legal person shares	A
China Securities Finance Corporation Limited	93,339,003	2.99	-42	-	-	-	State-owned legal person shares	A
Hong Kong Securities Clearing Company Limited ⁽³⁾	33,398,419	1.07	+388,910	-	-	-	Overseas legal person shares	A
Central Huijin Asset Management Ltd.	28,249,200	0.91	-	-	-	-	State-owned legal person shares	A
Kehua Tianyuan (Tianjin) Business Operation Management Company Limited	17,500,000	0.56	+17,500,000	-	-	-	Domestic legal person shares	A
National Social Security Fund 110 Combination	14,558,058	0.47	-4,598,238	-	-	-	State-owned legal person shares	A
National Social Security Fund 114 Combination	8,978,521	0.29	-221,400	-	-	-	State-owned legal person shares	A
Dacheng Fund-ABC-Dacheng China Securities Financial Asset Management Plan	8,713,289	0.28	-	-	-	-	Others	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 or H shares were 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.
- Hong Kong Securities Clearing Company Limited ("HKSCC") is a nominal holder of shares in 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 was no change in the controlling shareholder of the Company. The Company had no de facto controller.

(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 2021, China Baowu held 377,162,581 A shares of the Company, which accounted 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 2021, 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	Fosun International Holdings Ltd.	H share	Interests of Controlled Corporation	176,799,500 ⁽³⁾	5.67	–	17.10	Long Position
3	Fosun International Limited	H share	Interests of Controlled Corporation	145,697,600	4.67	–	14.09	Long Position
			Beneficial Owner	31,101,900 ⁽³⁾	1.00	–	3.01	Long Position
4	GUO Guangchang	H share	Interests of Controlled Corporation	176,799,500 ⁽³⁾	5.67	–	17.10	Long Position
5	Fidelidade – Companhia de Seguros, S.A.	H share	Beneficial Owner	62,126,100 ⁽³⁾	1.99	–	6.01	Long Position

SECTION 9

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

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 Mr. GUO Guangchang holds equity interests in the shares of the Company through Fosun International Holdings Ltd., Fosun Holdings Limited, Fosun International Limited, Fidelidade – Companhia de Seguros, S.A. and other companies controlled or indirectly controlled by them.

Save as disclosed above, as at 30 June 2021, the Company was not aware of anyone (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 to be entered into the register maintained by the Company pursuant to Section 336 of the SFO.

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 54 to 120, 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 2021 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
 26 August 2021

SECTION 10

Financial Statements

Condensed Consolidated Statement of Financial Position

As at 30 June 2021 (All amounts in RMB million unless otherwise stated)

	Notes	As at 30 June 2021 Unaudited	As at 31 December 2020
ASSETS			
Property, plant and equipment		16,593	15,692
Investment properties		8,524	8,857
Right-of-use assets		1,247	1,243
Intangible assets		3,647	3,753
Investments in associates and joint ventures	7	5,153	4,967
Debt financial assets		559,711	567,171
– Held-to-maturity	8(1)	282,741	273,076
– Available-for-sale	8(2)	216,014	238,957
– At fair value through profit or loss	8(3)	17,411	13,754
– Loans and receivables	8(4)	43,545	41,384
Equity financial assets		208,903	206,290
– Available-for-sale	8(2)	191,396	187,746
– At fair value through profit or loss	8(3)	17,507	18,544
Term deposits	8(5)	130,540	122,640
Statutory deposits		1,715	1,715
Policy loans		39,226	37,732
Financial assets purchased under agreements to resell		5,658	1,832
Derivative financial Instruments		5	–
Accrued investment income		11,532	10,313
Premiums receivable	9	5,369	2,312
Deferred tax assets	21	179	153
Reinsurance assets	10	3,644	3,666
Other assets		3,633	3,047
Cash and cash equivalents		16,896	12,993
Total assets		1,022,175	1,004,376

The notes attached form an integral part of the interim condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2021 (All amounts in RMB million unless otherwise stated)

	Notes	As at 30 June 2021 Unaudited	As at 31 December 2020
LIABILITIES AND EQUITY			
Liabilities			
Insurance contracts			
Long-term insurance contract liabilities	11	814,373	750,258
Short-term insurance contract liabilities			
– Outstanding claims liabilities	11	1,903	1,802
– Unearned premiums liabilities	11	2,453	2,349
Investment contracts	12	55,186	51,672
Policyholder dividends payable		650	3
Borrowings	13	10,000	10,000
Lease liabilities		1,059	1,064
Financial liabilities at fair value through profit or loss		2,753	14,837
Financial assets sold under agreements to repurchase	14	2,149	41,888
Benefits, claims and surrenders payable		6,607	6,445
Premiums received in advance		270	6,458
Reinsurance liabilities	15	131	297
Other liabilities		15,971	12,920
Current income tax liabilities		211	30
Deferred tax liabilities	21	1,987	2,673
Total liabilities		915,703	902,696
Shareholders' equity			
Share capital	16	3,120	3,120
Reserves	17	52,520	52,604
Retained earnings		50,817	45,943
Equity attributable to owners of the parent		106,457	101,667
Non-controlling interests		15	13
Total equity		106,472	101,680
Total liabilities and equity		1,022,175	1,004,376

The notes attached form an integral part of the interim condensed consolidated financial statements.

SECTION 10

Financial Statements

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

		For the six months ended 30 June	
	Notes	2021 Unaudited	2020 Unaudited
REVENUES			
Gross written premiums and policy fees	18	100,641	96,903
Less: premiums ceded out		(1,274)	(1,478)
Net written premiums and policy fees		99,367	95,425
Net change in unearned premiums liabilities		(154)	(619)
Net premiums earned and policy fees		99,213	94,806
Investment income	19	30,542	20,751
Other income		631	519
Total revenues		130,386	116,076
BENEFITS, CLAIMS AND EXPENSES			
Insurance benefits and claims			
Claims and net change in outstanding claims liabilities		(1,658)	(1,289)
Life insurance death and other benefits		(32,235)	(33,680)
Increase in long-term insurance contract liabilities		(67,178)	(54,824)
Policyholder dividends resulting from participating in profits		(663)	(190)
Investment contracts benefits		(1,138)	(988)
Commission and brokerage expenses		(8,980)	(9,617)
Administrative expenses	20	(5,845)	(5,320)
Other expenses		(481)	(396)
Total benefits, claims and expenses		(118,178)	(106,304)
Share of profits and losses of associates and joint ventures		279	253
Finance costs		(401)	(771)
Profit before income tax		12,086	9,254
Income tax expense	21	(1,538)	(1,035)
Net profit for the period		10,548	8,219
Net profit for the period attributable to:			
– Owners of the parent		10,546	8,218
– Non-controlling interests		2	1
Earnings per share (RMB)			
Basic	22	3.38	2.63
Diluted	22	3.38	2.63

The notes attached form an integral part of the interim condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Net profit for the period	10,548	8,219
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		
Available-for-sale financial assets		
Changes in fair value	4,985	8,401
Gains transferred to profit or loss from other comprehensive income	(10,457)	(3,735)
Impairment transferred to profit or loss from other comprehensive income	328	2,344
Changes in liabilities for insurance and investment contracts arising from net unrealized gains	3,208	(3,079)
Currency translation differences	(8)	6
Share of other comprehensive income of associates and joint ventures under the equity method and the effect on liabilities for insurance and investment contracts	43	(69)
Income tax relating to components of other comprehensive income	477	(966)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods	–	–
Total other comprehensive income for the period, net of tax	(1,424)	2,902
Total comprehensive income for the period	9,124	11,121
Total comprehensive income for the period attributable to:		
– Owners of the parent	9,122	11,120
– Non-controlling interests	2	1

The notes attached form an integral part of the interim condensed consolidated financial statements.

SECTION 10

Financial Statements

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

	For the six months ended 30 June 2021 (Unaudited)					
	Attributable to owners of the parent				Non-controlling Interests	Total equity
	Share capital	Reserves	Retained earnings	Total		
As at 1 January 2021	3,120	52,604	45,943	101,667	13	101,680
Net profit for the period	–	–	10,546	10,546	2	10,548
Other comprehensive income	–	(1,424)	–	(1,424)	–	(1,424)
Total comprehensive income	–	(1,424)	10,546	9,122	2	9,124
Others	–	4	–	4	–	4
Dividends paid	–	–	(4,336)	(4,336)	–	(4,336)
Appropriation to reserves	–	1,336	(1,336)	–	–	–
Total transactions with owners	–	1,336	(5,672)	(4,336)	–	(4,336)
As at 30 June 2021	3,120	52,520	50,817	106,457	15	106,472

The notes attached form an integral part of the interim condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

	For the six months ended 30 June 2020 (Unaudited)					
	Attributable to owners of the parent				Non-controlling Interests	Total equity
	Share capital	Reserves	Retained earnings	Total		
As at 1 January 2020	3,120	41,254	40,077	84,451	10	84,461
Net profit for the period	–	–	8,218	8,218	1	8,219
Other comprehensive income	–	2,902	–	2,902	–	2,902
Total comprehensive income	–	2,902	8,218	11,120	1	11,121
Others	–	(7)	–	(7)	–	(7)
Dividends paid	–	–	(4,399)	(4,399)	–	(4,399)
Appropriation to reserves	–	1,346	(1,346)	–	–	–
Total transactions with owners	–	1,346	(5,745)	(4,399)	–	(4,399)
As at 30 June 2020	3,120	45,495	42,550	91,165	11	91,176

The notes attached form an integral part of the interim condensed consolidated financial statements.

SECTION 10

Financial Statements

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Operating activities		
Cash generated from operating activities	44,321	44,122
Tax paid	(2,253)	(1,372)
Net cash flows from operating activities	42,068	42,750
Investing activities		
Cash paid for investing activities, net	(30,017)	(52,998)
Acquisition of structured entities, net of cash acquired	33	–
Proceeds from disposal of structured entities, net	2,385	(3,842)
Proceeds from disposal of property, plant and equipment, intangible assets and other assets	2	1
Purchases of property, plant and equipment, intangible assets and other assets	(962)	(1,005)
Interests received	17,783	19,400
Dividends received	743	2,208
Financial assets purchased under agreements to resell, net	(4,181)	4,433
Net cash flows from investing activities	(14,214)	(31,803)
Financing activities		
Capital injected into structured entities by non-controlling interests	29,120	80
Proceeds from issue of bonds	–	10,000
Interests and dividends paid	(513)	(18)
Financial assets sold under agreements to repurchase, net	(39,601)	(20,688)
Payment of lease liabilities	(317)	(299)
Others	(12,594)	(57)
Net cash flows from financing activities	(23,905)	(10,982)
Effects of exchange rate changes on cash and cash equivalents	(46)	45
Cash and cash equivalents at beginning of period	12,993	11,765
Cash and cash equivalents at end of period	16,896	11,775
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	16,896	11,775
Cash and cash equivalents at end of period	16,896	11,775

The notes attached 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 2021 (All amounts in RMB million 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 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 A shares on the Shanghai Stock Exchange and issued 358,420,000 H shares on the Hong Kong Stock Exchange. In January 2012, the Company exercised the right of H share over-allotment in overseas markets and issued 2,586,600 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.16 East Hunan Road (Zhongguancun Yanqing Park), Yanqing District, Beijing, the PRC. The Company is headquartered in Beijing.

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 2021, the Company has equity interests in subsidiaries and consolidated structured entities as set out in Note 28. 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 interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. The interim condensed consolidated financial information should be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2020, 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 2020, as described in those annual financial statements, except for the adoption of new accounting standards and amendments effective as at 1 January 2021.

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 2021 (All amounts in RMB million 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 2021

Standards/Amendments	Content
IFRS 16 Amendment	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments	<i>Interest Rate Benchmark Reform-Phase 2</i>

IFRS 16 Amendment – Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months (the “2021 Amendment”). Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2021. Because the Group was not provided with a significant amount of rent concessions arising as a direct consequence of Covid-19, the amendment did not have any significant impact on the Group’s interim condensed consolidated financial statements.

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments – Interest Rate Benchmark Reform – Phase 2

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognize hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The amendments did not have any significant impact on the Group’s interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group

Standards/Amendments	Content
IFRS 9	<i>Financial Instruments</i>
IFRS 9 Amendments	<i>Prepayment Features with Negative Compensation</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 interim condensed consolidated financial statements.

Classification and measurement

IFRS 9 requires that the Group classifies debt instruments based on the combined effect of application of a business model (hold to collect contractual cash flows, hold to collect contractual cash flow and sell financial assets or other business models) and contractual cash flow characteristics (solely payments of principal and interest on the principal amount outstanding or not). Debt instruments not giving rise to cash flows that are solely 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 solely 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 the 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 financial assets being recorded in income going forward. Currently, these unrealized gains and losses are recognized in other comprehensive income ("OCI"). Should the Group 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 2021 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

Impairment

IFRS 9 requires an impairment of debt instruments recorded at amortized 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.

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 interim condensed consolidated financial statements.

The additional disclosures about the temporary exemption from IFRS 9

Amendments to IFRS 4 address issues arising from the different effective dates of IFRS 9 and IFRS 17. The amendments introduce two options for entities issuing contracts within the scope of IFRS 4 upon 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 2023. 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 reasons 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 2021 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

The additional disclosures about the temporary exemption from IFRS 9 (Continued)

Since 31 December 2015, there has 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 since 1 January 2018.

The associates and joint ventures of the Group have adopted Hong Kong Financial Reporting Standard 9 Financial Instruments, IFRS 9 Financial Instruments or Accounting Standard of Finance Instruments issues by the Ministry of Finance of the PRC. The Group elected not to make adjustments for the consistency with accounting policies when using the 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 2021 and 31 December 2020:

	Fair value as at 30 June 2021 Unaudited	Fair value as at 31 December 2020
Held for trading financial assets (A)	34,918	32,298
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	5	–
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)	490,483	494,584
– Financial assets with contractual terms that do not meet SPPI terms (D)	253,190	269,227
Total	778,596	796,109

Note: Only including financial assets at fair value through profit or loss, derivative financial instruments, 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 2021 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

The additional disclosures about the temporary exemption from IFRS 9 (Continued)

(i) Fair value of financial assets (Continued)

The table below presents the fair value changes for the six months ended 30 June 2021 and 2020:

	Fair value changes for the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Held for trading financial assets (A)	689	718
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	3	(504)
Non-Class-A and Non-Class-B financial assets		
– Financial assets with contractual terms that meet SPPI terms (C)	2,620	6,276
– Financial assets with contractual terms that do not meet SPPI terms (D)	5,289	4,148
Total	8,601	10,638

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

The additional disclosures about the temporary exemption from IFRS 9 (Continued)

(ii) Credit risk exposure

For the financial assets that meet the 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 the SPPI criterion	Carrying amount as at 30 June 2021 Unaudited	Carrying amount as at 31 December 2020
AAA	484,341	488,783
AA+	3,149	2,619
AA	2,100	2,100
A	–	205
Total	489,590	493,707

For the overseas bonds that meet the 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 the SPPI criterion	Carrying amount as at 30 June 2021 Unaudited	Carrying amount as at 31 December 2020
Baa1	14	22
Baa2	723	730
Baa3	156	125
Total	893	877

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

The additional disclosures about the temporary exemption from IFRS 9 (Continued)

(ii) Credit risk exposure (Continued)

	As at 30 June 2021 (Unaudited)	
	Carrying amount	Fair value
Financial assets that do not have low credit risk (Note)	5,249	5,249

	As at 31 December 2020	
	Carrying amount	Fair value
Financial assets that do not have low credit risk (Note)	4,924	4,924

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.

IFRS 9 Amendments – Prepayment Features with Negative Compensation

Amendments to IFRS 9 allow financial assets with prepayment features that permit or require either the borrower or the lender to pay or receive reasonable compensation for the early termination of a contract to be measured at amortized cost or at fair value through other comprehensive income, rather than at fair value through profit or loss. The amendments clarify that a financial asset passes the “solely payments of principal and interest on the principal amount outstanding” criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for that early termination. The amendments did not apply to the Group as the Group did not have any debt instruments with prepayment features along with compensation for early termination. In addition, as clarified in the amendments to the basis for conclusions on IFRS 9, the gain or loss arising on modification of a financial liability that does not result in derecognition (calculated by discounting the change in contractual cash flows at the original effective rate) is immediately recognized in profit or loss. IFRS 9 Amendments are effective for annual periods beginning on or after 1 January 2019. 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(c) New accounting standards and amendments issued but are not effective for the financial year beginning on 1 January 2021

Standards/Amendments	Content	Effective for annual periods beginning on or after
IAS 16 Amendments	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
IAS 37 Amendments	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements 2018-2020 Cycle	<i>Amendments to IFRS 1, IFRS 9 and Illustrative Examples accompanying IFRS 16, and IAS 41</i>	1 January 2022
IAS 1 Amendments	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
IAS 1 Amendments	<i>Disclosure of Accounting Policies</i>	1 January 2023
IAS 8 Amendments	<i>Definition of Accounting Estimates</i>	1 January 2023
IAS 12 Amendments	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
IFRS 3 Amendments	<i>Reference to the Conceptual Framework</i>	1 January 2022
IFRS 17	<i>Insurance Contracts</i>	1 January 2023/Note 1
IFRS 17 Amendments	<i>Insurance Contracts</i>	1 January 2023/Note 1
IFRS 10 and IAS 28 Amendments	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Note 2

Note 1: As a consequence of the amendments to IFRS 17 issued in June 2020, the effective date of IFRS 17 was deferred to 1 January 2023, and IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023.

Note 2: In December 2015, the IASB postponed the effective date of these amendments pending the outcome of its research on the equity method of accounting.

Except for the IFRS 16 Amendment issued in April 2021, the Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Judgments, estimates and assumptions made by the Group during the preparation of the interim condensed consolidated financial statements 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 assumption 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 2021 (All amounts in RMB million unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Significant judgments (Continued)

(3) *Property lease classification – Group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

(4) *Determination of control over investee*

The Group applies its judgement to determine whether the control indicators indicate that the Group controls structured entities such as debt investment plans, trust products and asset management products.

The Group issues certain structured entities (e.g. asset management products and debt investment plans), and acts as a manager for such entities according to the contracts. In addition, the Group may be exposed to variability of returns as a result of holding shares of the structured entities. Determining whether the Group controls such structured entities usually focuses on the assessment of the aggregate economic interests of the Group in the entities (including any carried interests and expected management fees) and the decision-making rights on the entity. As at 30 June 2021, the Group has consolidated certain asset management products and debt investment plans issued and managed by the Company's subsidiary, New China Asset Management Co., Ltd. ("Asset Management Company"), certain trust products issued and managed by third parties in the condensed consolidated financial statements. Please refer to Note 28 for the details.

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 benefit 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

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

The judgments exercised in the valuation of insurance contract liabilities (including contracts with discretionary participating feature ("DPF")) affect the amounts recognized in the interim condensed consolidated financial statements as insurance contracts benefits and insurance contracts liabilities.

The impacts of the various assumptions are described in Note 11.

(2) *Fair value of financial instruments*

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.

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 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(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 judgments 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.

(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(7) below. 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) *Leases – Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(7) **Former Chairman Mr. GUAN Guoliang Irregularities**

The former chairman Mr. GUAN Guoliang of the Company, who served as the 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 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.

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 believes 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 the 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(7) **Former Chairman Mr. GUAN Guoliang Irregularities (Continued)**

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 the 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. ("Shenzhen Huirun") and issued a plan. On 25 May 2016, the Company received RMB16 million. On 7 August 2018, Beijing No.2 Intermediate People's Court deducted RMB42 million attributable to Tianhuan Real Estate from the bankruptcy of Shenzhen Huirun and issued a plan. According to the plan, the Company should receive RMB41 million. On 21 August 2018, the Company received RMB41 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 as described above as a net amount of RMB874 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 a significant uncertainty in recovering the balance and a provision of RMB874 million was made as at 30 June 2021 (as at 31 December 2020: RMB874 million).

(8) **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 2021 (All amounts in RMB million 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, expenses assumption, policy dividend and lapse rates. 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. The abovementioned changes in accounting estimates resulted in an increase in long-term insurance contract liabilities increased by RMB2,546 million as at 30 June 2021, and profit before income tax decreased by RMB2,546 million for the six months ended 30 June 2021.

The above change in accounting estimates has been approved by the Board of Directors of the Company on 26 August 2021.

5 RISK MANAGEMENT

The interim condensed consolidated financial statements do 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 2020. There have been no changes in the Group's risk management process or in relevant risk management policies since 31 December 2020.

(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 2021 (All amounts in RMB million 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 fulfill their responsibilities.

(b) Concentration of insurance risk

Currently, the Group's businesses are all conducted 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 risk.

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 one 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 2021 (All amounts in RMB million 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 manages and tests 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 one 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, term deposits, debt investments and equity investments denominated in currencies other than the functional ones, such as the United States dollar, Hong Kong dollar, or European dollar, etc..

For the identified currency risk, the Company took the following measures: (1) determine the risk level based on the analysis of internal and external information, so as to determine different preventive measures; (2) evaluate the possible frequency and degree of the loss of overseas investment in a certain period of time in the future, and use currency risk exposure analysis and other methods to evaluate the impact of exchange rate changes on the assets, liabilities and equity of the Group; and (3) evaluate the price risk of overseas investments comprehensively in accordance with the level and impact of currency risk, combined with the risk appetite, to select appropriate risk management tools to hedge risk.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(b) Credit risk

Credit risk is the risk that one party to 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 investment 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, other national commercial banks or state-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 interim 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 if 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 asset management products and trust products are guaranteed by third parties, collateral, 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 2021 (All amounts in RMB million 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, asset funding plans, asset management products, wealth investment products and debt investment plans. The credit rating of bond/debt 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 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 asset funding plans, asset management products and debt investment plans are well-known trust companies and asset management companies 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) Disclosures about interests in unconsolidated structured entities

The Group's interests in the unconsolidated structured entities are recorded as financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables. These structured entities typically raise funds by issuing securities or other beneficiary certificates. The purpose of these structured entities is primarily to generate management service fees or provide finance for public and private infrastructure construction. Refer to Note 3 Significant judgments (4) for the determined factors of control over investees of the Group.

These structured entities that the Group has interests in either guaranteed by third parties with higher credit ratings, by pledging, by the revenue within the finance budget as the payment source or dealing with the borrowers which with higher credit ratings.

The Group has not provided any guarantee or financing support for the structured entities that the Group has interests in or sponsored.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(d) *Disclosures about interests in unconsolidated structured entities (Continued)*

The Group believes that the maximum risk exposure approximates the carrying amount of interests in these unconsolidated structured entities.

The unconsolidated structured entities that the Group has sponsored but had no interest were mainly asset management products, debt investment plans, endowment annuity products, occupational annuity products and enterprise annuity products, etc.. The unconsolidated structured entities were sponsored by the Group for collecting management service fees, which were recorded as other income. The Group has not transferred any assets to these structured entities.

(e) *Matching risk of assets and liabilities*

The Group uses asset-liability management techniques to manage assets and liabilities. The techniques used include the scenario analysis method, the cash flow matching method and the 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 and capital supplementary 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 the actual capital calculated as the difference between admitted assets and admitted liabilities as defined by the China Banking and 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 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.

SECTION 10

Financial Statements

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(3) Capital management (Continued)

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

	As at 30 June 2021 Unaudited	As at 31 December 2020
Core capital	285,025	280,817
Actual capital	295,025	290,817
Minimum capital	109,401	104,672
Core solvency margin ratio	260.53%	268.28%
Comprehensive solvency margin ratio	269.67%	277.84%

According to the solvency ratios results 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 the CBIRC C-ROSS Supervision Information System, the comprehensive risk assessment result of the Company in the first quarter of 2021 is A.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million 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.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among the Chinese interbank market are classified as Level 2 when they are valued at recent quoted price from the Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(4) Fair value hierarchy (Continued)

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.

As at 30 June 2021, financial assets measured at fair value and classified as level 3 in the fair value hierarchy are valued using unobservable significant inputs, such as discount rate, but the fair value is not significantly sensitive to the reasonable changes of the unobservable significant inputs.

	Fair value	Valuation technique	Significant unobservable inputs	Range	Relationship between unobservable inputs and fair value
Equity financial assets					
Available-for-sale – Preferred stock	4,227	Discounted cash flow method	Discount rate	4.7%-5.5%	The higher the discount rate, the lower the fair value
Debt financial assets					
Available-for-sale – Trust products	91,309	Discounted cash flow method	Discount rate	4.81%-10%	The higher the discount rate, the lower the fair value
Available-for-sale – Wealth investment products	23,543	Discounted cash flow method	Discount rate	2.8%-5.3%	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 2021 (All amounts in RMB million 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 2021 and 31 December 2020:

As at 30 June 2021 (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	119,108	34,490	4,360	157,958
– Debt financial assets	480	96,637	114,897	212,014
Financial assets at fair value through profit or loss				
Held for trading				
– Equity financial assets	9,507	8,000	–	17,507
– Debt financial assets	725	16,686	–	17,411
Derivative financial instruments	–	5	–	5
Total	129,820	155,818	119,257	404,895
Liabilities				
Financial liabilities at fair value through profit or loss	–	2,753	–	2,753
Unit-linked contracts	–	218	–	218
Total	–	2,971	–	2,971

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million 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 30 June 2021 and 31 December 2020 (Continued):

	Inputs to fair value measurement			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
As at 31 December 2020				
Assets				
Available-for-sale financial assets				
– Equity financial assets	121,065	31,637	4,263	156,965
– Debt financial assets	134	105,146	128,677	233,957
Financial assets at fair value through profit or loss				
Held for trading				
– Equity financial assets	11,548	6,996	–	18,544
– Debt financial assets	1,616	12,138	–	13,754
Total	134,363	155,917	132,940	423,220
Liabilities				
Financial liabilities at fair value through profit or loss	–	14,837	–	14,837
Unit-linked contracts	–	196	–	196
Total	–	15,033	–	15,033

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(4) Fair value hierarchy (Continued)

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

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

The following table presents the transfers between Level 1 and Level 2 for the six months ended 30 June 2021 and 2020:

For the six months ended 30 June 2021 (Unaudited)	Level 1	Level 2
Available-for-sale financial assets		
Equity financial assets		
– Transfer in	4,034	1,706
– Transfer out	(1,706)	(4,034)
Debt financial assets		
– Transfer in	284	30
– Transfer out	(30)	(284)
Financial assets at fair value through profit or loss		
Held for trading		
Debt financial assets		
– Transfer in	31	225
– Transfer out	(225)	(31)
For the six months ended 30 June 2020 (Unaudited)	Level 1	Level 2
Available-for-sale financial assets		
Debt financial assets		
– Transfer in	9	381
– Transfer out	(381)	(9)
Financial assets at fair value through profit or loss		
Held for trading		
Debt financial assets		
– Transfer in	–	306
– Transfer out	(306)	–

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

There were no transfers into or out of Level 3 for the six months ended 30 June 2021 and 2020.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(4) Fair value hierarchy (Continued)

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

The changes in Level 3 financial assets are analyzed below:

	Available-for-sale			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 2021	4,263	128,677	132,940	–	132,940
Purchase	11	8,738	8,749	–	8,749
Recognized in profit or loss	–	(1,156)	(1,156)	–	(1,156)
Recognized in other comprehensive income	86	–	86	–	86
Maturity	–	(21,362)	(21,362)	–	(21,362)
30 June 2021 (Unaudited)	4,360	114,897	119,257	–	119,257
1 January 2020	5,852	138,543	144,395	1,374	145,769
Purchase	2	27,548	27,550	–	27,550
Recognized in profit or loss	–	–	–	(504)	(504)
Recognized in other comprehensive income	(4)	–	(4)	–	(4)
Disposals/(exercise the option)	(2,094)	–	(2,094)	(870)	(2,964)
Maturity	–	(40,197)	(40,197)	–	(40,197)
30 June 2020 (Unaudited)	3,756	125,894	129,650	–	129,650

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million 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, investment properties, 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 the financial instruments disclosed in the following tables, 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 2021 and 31 December 2020:

As at 30 June 2021 (Unaudited)	Level 1	Level 2	Level 3	Total
Assets				
Held-to-maturity	43,228	254,676	–	297,904
Loans and receivables	–	–	43,545	43,545
Total	43,228	254,676	43,545	341,449
Liabilities				
Borrowings	–	9,753	–	9,753
Total	–	9,753	–	9,753
As at 31 December 2020	Level 1	Level 2	Level 3	Total
Assets				
Held-to-maturity	20,917	264,274	–	285,191
Loans and receivables	–	–	41,384	41,384
Investment properties	–	–	11,479	11,479
Total	20,917	264,274	52,863	338,054
Liabilities				
Borrowings	–	9,620	–	9,620
Total	–	9,620	–	9,620

The Group has not disclosed fair values for certain investment contract liabilities with DPF because the 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.

SECTION 10

Financial Statements

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

6 SEGMENT INFORMATION

The Group's operating segments for the six months ended 30 June 2021 are the same as the segments of the Group for the six months ended 30 June 2020 and the year ended 31 December 2020.

	For the six months ended 30 June 2021 (Unaudited)				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy fees	98,666	1,975	–	–	100,641
Less: premiums ceded out	(1,225)	(49)	–	–	(1,274)
Net written premiums and policy fees	97,441	1,926	–	–	99,367
Net change in unearned premiums liabilities	367	(521)	–	–	(154)
Net premiums earned and policy fees	97,808	1,405	–	–	99,213
Investment income	30,155	124	263	–	30,542
Other income	293	7	759	(428)	631
Including: inter-segment transaction	17	2	409	(428)	–
Total revenues	128,256	1,536	1,022	(428)	130,386
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(759)	(899)	–	–	(1,658)
Life insurance death and other benefits	(32,144)	(91)	–	–	(32,235)
Increase in long-term insurance contract liabilities	(67,168)	(10)	–	–	(67,178)
Policyholder dividends resulting from participating in profits	(663)	–	–	–	(663)
Investment contract benefits	(1,038)	(100)	–	–	(1,138)
Commission and brokerage expenses	(8,670)	(310)	–	–	(8,980)
Administrative expenses	(5,017)	(799)	(447)	418	(5,845)
Including: inter-segment transaction	(330)	(51)	(37)	418	–
Other expenses	(228)	(13)	(250)	10	(481)
Including: inter-segment transaction	(1)	–	(9)	10	–
Total benefits, claims and expenses	(115,687)	(2,222)	(697)	428	(118,178)
Share of profits and losses of associates and joint ventures	311	3	(35)	–	279
Finance costs	(365)	(36)	–	–	(401)
Net profit before income tax	12,515	(719)	290	–	12,086
Other segment information:					
Depreciation and amortization	(701)	(107)	(58)	–	(866)
Interest income	16,582	72	295	–	16,949
Impairment	(1,449)	(10)	(25)	–	(1,484)
Share of profits and losses of associates and joint ventures	311	3	(35)	–	279
Capital expenditure	–	–	962	–	962

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

6 SEGMENT INFORMATION (Continued)

	For the six months ended 30 June 2020 (Unaudited)				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy fees	95,097	1,806	–	–	96,903
Less: premiums ceded out	(1,399)	(79)	–	–	(1,478)
Net written premiums and policy fees	93,698	1,727	–	–	95,425
Net change in unearned premiums liabilities	(143)	(476)	–	–	(619)
Net premiums earned and policy fees	93,555	1,251	–	–	94,806
Investment income	20,361	196	194	–	20,751
Other income	312	7	523	(323)	519
Including: inter-segment transaction	10	–	313	(323)	–
Total revenues	114,228	1,454	717	(323)	116,076
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(632)	(657)	–	–	(1,289)
Life insurance death and other benefits	(33,500)	(180)	–	–	(33,680)
Increase in long-term insurance contract liabilities	(54,828)	4	–	–	(54,824)
Policyholder dividends resulting from participating in profits	(190)	–	–	–	(190)
Investment contract benefits	(966)	(22)	–	–	(988)
Commission and brokerage expenses	(9,319)	(298)	–	–	(9,617)
Administrative expenses	(4,630)	(608)	(402)	320	(5,320)
Including: inter-segment transaction	(276)	(34)	(10)	320	–
Other expenses	(191)	(4)	(204)	3	(396)
Including: inter-segment transaction	(3)	–	–	3	–
Total benefits, claims and expenses	(104,256)	(1,765)	(606)	323	(106,304)
Share of profits and losses of associates and joint ventures	274	3	(24)	–	253
Finance costs	(754)	(17)	–	–	(771)
Net profit before income tax	9,492	(325)	87	–	9,254
Other segment information:					
Depreciation and amortization	(670)	(81)	(56)	–	(807)
Interest income	16,032	164	120	–	16,316
Impairment	(2,338)	(41)	–	–	(2,379)
Share of profits and losses of associates and joint ventures	274	3	(24)	–	253
Capital expenditure	–	–	1,005	–	1,005

SECTION 10

Financial Statements

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

6 SEGMENT INFORMATION (Continued)

Segment assets and liabilities as at 30 June 2021 and 31 December 2020:

As at 30 June 2021 Unaudited	Insurance		Others	Elimination	Total
	Individual	Group			
Segment assets	965,018	9,169	48,078	(90)	1,022,175
Segment liabilities	882,799	8,745	24,249	(90)	915,703

As at 31 December 2020	Insurance		Others	Elimination	Total
	Individual	Group			
Segment assets	936,779	8,826	58,957	(186)	1,004,376
Segment liabilities	860,885	7,239	34,758	(186)	902,696

7 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

	As at 30 June 2021 Unaudited	As at 31 December 2020
Associates		
China Jinmao Holdings Group Limited ("China Jinmao") (i)	3,700	3,480
Beijing Zijin Century Real Estate Co., Ltd. ("Zijin Century") (ii)	713	725
Huixin Capital International Management Limited ("Huixin Capital International")	121	121
Beijing MJ Health Screening Center Co., Ltd. ("MJ Health")	7	12
Joint venture		
New China Life Excellent Health Investment Management Co., Ltd. ("New China Health")	612	629
Total	5,153	4,967

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

7 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

- (i) According to the Articles of Association of China Jinmao, the Group appointed a director for China Jinmao, who has significant impact on China Jinmao. Therefore, the Group has accounted for China Jinmao as an associate of the Group using the equity method.
- (ii) As approved by shareholders at the fifth shareholders' extraordinary general meeting on 23 August 2011, the Group plans to sell its shareholdings of 24% of Zijin Century. As at the approval date of the interim condensed consolidated financial statements, the Company has not signed any sales agreement.

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

Except for 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 2021, the stock price of China Jinmao was HKD2.6 per share.

Except for China Jinmao and Huixin Capital International, the English names of the associates and joint ventures represent the best effort 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 2021 Unaudited	As at 31 December 2020
Debt financial assets		
Government bonds	179,320	166,188
Financial bonds	28,376	28,382
Corporate bonds	37,112	38,611
Subordinated bonds	37,933	39,895
Total	282,741	273,076
Debt financial assets		
Listed	122,643	122,963
Unlisted	160,098	150,113
Total	282,741	273,076

SECTION 10

Financial Statements

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

8 FINANCIAL ASSETS (Continued)

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

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

Held-to-maturity investments were not reclassified to available-for-sale financial assets or sold before maturity for the six months ended 30 June 2021 (For the six months ended 30 June 2020: Same).

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

	As at 30 June 2021 Unaudited	As at 31 December 2020
Maturity		
Within 1 year (including 1 year)	21,295	19,546
After 1 year but within 3 years (including 3 years)	36,280	34,648
After 3 years but within 5 years (including 5 years)	16,948	18,064
After 5 years	208,218	200,818
Total	282,741	273,076

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

8 FINANCIAL ASSETS (Continued)

(2) Available-for-sale financial assets

	As at 30 June 2021 Unaudited	As at 31 December 2020
Debt financial assets		
Government bonds	57,927	56,254
Financial bonds	18,327	20,727
Corporate bonds	10,018	10,993
Subordinated bonds	10,845	17,306
Perpetual bonds	4,000	5,000
Trust products	91,309	99,582
Wealth investment products	23,543	29,050
Asset management plans	45	45
Subtotal	216,014	238,957
Equity financial assets		
Funds	52,801	52,488
Stock	67,336	72,281
Preferred stock	4,830	4,902
Asset management plans	24,089	20,415
Private equity	10,663	9,411
Equity investment plans	6,300	4,800
Other unlisted equity investments	16,570	16,570
Perpetual bonds	8,518	6,229
Other equity investments	289	650
Subtotal	191,396	187,746
Total	407,410	426,703
Debt financial assets		
Listed	34,126	33,867
Unlisted	181,888	205,090
Subtotal	216,014	238,957
Equity financial assets		
Listed	74,312	79,022
Unlisted	117,084	108,724
Subtotal	191,396	187,746
Total	407,410	426,703

SECTION 10

Financial Statements

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million 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 2021 Unaudited	As at 31 December 2020
Within 1 year (including 1 year)	55,089	53,545
After 1 year but within 3 years (including 3 years)	36,330	62,305
After 3 years but within 5 years (including 5 years)	48,440	45,163
After 5 years	76,155	77,944
Total	216,014	238,957

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded in 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 2021 (All amounts in RMB million unless otherwise stated)

8 FINANCIAL ASSETS (Continued)

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

	As at 30 June 2021 Unaudited	As at 31 December 2020
Held for trading		
Debt financial assets		
Government bonds	10	60
Financial bonds	294	432
Corporate bonds	11,769	10,261
Subordinated bonds	1,169	1,478
Certificates of deposit	4,169	1,523
Subtotal	17,411	13,754
Equity financial assets		
Funds	4,505	3,370
Stocks	5,066	8,181
Asset management plans	7,625	6,696
Perpetual bonds	311	297
Subtotal	17,507	18,544
Total	34,918	32,298
Debt financial assets		
Listed	10,307	9,348
Unlisted	7,104	4,406
Subtotal	17,411	13,754
Equity financial assets		
Listed	5,447	8,913
Unlisted	12,060	9,631
Subtotal	17,507	18,544
Total	34,918	32,298

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

SECTION 10

Financial Statements

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

8 FINANCIAL ASSETS (Continued)

(4) Loans and receivables

	As at 30 June 2021 Unaudited	As at 31 December 2020
Debt investment plans (i)	41,396	41,135
Asset funding plans	1,900	–
Trust products	249	249
Total	43,545	41,384

(i) 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 with a period of 3 years to 10 years.

(5) Term deposits

The due dates of the term deposits are as follows:

Maturity	As at 30 June 2021 Unaudited	As at 31 December 2020
Within 1 year (including 1 year)	25,500	19,000
After 1 year but within 3 years (including 3 years)	74,590	82,190
After 3 years but within 5 years (including 5 years)	26,450	16,350
More than 5 years	4,000	5,100
Total	130,540	122,640

9 PREMIUMS RECEIVABLE

The credit terms for premiums receivable from life insurance policyholders are 60 days. The Group normally collects premiums receivable from agents on a monthly or quarterly basis.

An aging analysis of premiums receivable is as follows:

	As at 30 June 2021 Unaudited	As at 31 December 2020
Within 3 months (including 3 months)	4,907	2,240
Over 3 months and within 1 year (including 1 year)	407	56
Over 1 year	55	16
Total	5,369	2,312

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

10 REINSURANCE ASSETS

	As at 30 June 2021 Unaudited	As at 31 December 2020
Claims and claims adjustment expenses ceded (Note 11)	109	83
Unearned premiums liabilities ceded (Note 11)	167	217
Long-term insurance contracts ceded (Note 11)	3,245	3,120
Due from reinsurance companies (i)	123	246
Total	3,644	3,666

- (i) The Group normally settle due from reinsurance companies on a quarterly basis. An aging analysis of due from reinsurance companies is as follows:

	As at 30 June 2021 Unaudited	As at 31 December 2020
Within 3 months (including 3 months)	123	246
Total	123	246

11 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 the 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 of the Group as at 30 June 2021 and 31 December 2020 are as follows:

	Discount rate assumption
30 June 2021 (Unaudited)	4.50%~5.00%
31 December 2020	4.50%~5.00%

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

11 INSURANCE CONTRACT LIABILITIES (Continued)

(1) Process used to determine assumptions (Continued)

(a) Discount rate assumption (Continued)

For Wendeying endowment insurance (Participating), the Group set up an exclusive participating account for the management of the product. Considering the yield curve of the corresponding future investment portfolios is different from other participating insurance products and a stabilization investment return assumption of 6% is used, the expected discount rate of this product as at 30 June 2021 was 6% (31 December 2020: 6%). The Group began to sell Wendefu endowment insurance (Participating) in March 2021, and managed the new product under another new exclusive participating account. Considering the yield curve of the corresponding future investment portfolios is different from other participating insurance products and a stabilization investment return assumption of 5.5% is used, the expected discount rate of this product as at 30 June 2021 was 5.5%.

For life insurance contracts whose future insurance benefits are not affected by investment yields of the 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, combining 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 2021 and 31 December 2020 are as follows:

	Discount rate assumption
30 June 2021 (Unaudited)	2.91%~4.70%
31 December 2020	3.04%~4.70%

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. It still has significant uncertainty. The Group determines the discount rate assumption based on the information obtained at the end of each reporting period.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

11 INSURANCE CONTRACT LIABILITIES (Continued)

(1) Process used to determine assumptions (Continued)

(b) Mortality and morbidity assumptions

The Group bases its mortality assumption on the China Life Insurance Life Mortality Table (2010-2013), adjusts 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.

The Group bases its morbidity assumptions on the China Life Insurance Major Diseases Experience Morbidity Rate Table (2020) 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 assumptions

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 consideration of risk margin.

(d) Policy dividend assumption

Policy dividend assumption is determined based upon contract terms, the investment yields of the participating account, dividend 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.

SECTION 10

Financial Statements

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

11 INSURANCE CONTRACT LIABILITIES (Continued)

(2) Net liabilities of insurance contracts

	As at 30 June 2021 Unaudited	As at 31 December 2020
Gross		
Long-term insurance contract liabilities	814,373	750,258
Short-term insurance contract liabilities		
– Outstanding claims liabilities	1,903	1,802
– Unearned premiums liabilities	2,453	2,349
Total, gross	818,729	754,409
Recoverable from reinsurers		
Long-term insurance contracts	(3,245)	(3,120)
Short-term insurance contracts		
– Outstanding claims liabilities	(109)	(83)
– Unearned premiums liabilities	(167)	(217)
Total, ceded	(3,521)	(3,420)
Net		
Long-term insurance contract liabilities	811,128	747,138
Short-term insurance contract liabilities		
– Outstanding claims liabilities	1,794	1,719
– Unearned premiums liabilities	2,286	2,132
Total, net	815,208	750,989

12 LIABILITIES OF INVESTMENT CONTRACTS

	As at 30 June 2021 Unaudited	As at 31 December 2020
Investment contracts excluding unit-linked contracts	54,968	51,476
Unit-linked contracts	218	196
Total	55,186	51,672

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

13 BORROWINGS

Upon the approval by the CBIRC and the People's Bank of China, on 11 May 2020, the Company issued 10-year capital supplementary bonds in the inter-bank market, and completed the issuance on 13 May 2020, which were in an aggregate principal amount of RMB10,000 million, and with an interest rate of 3.3% per annum for the first five years. The Company has the right to redeem the bonds partially or wholly at the end of the fifth year. If the Company does not exercise the redemption right or partially exercises the redemption right, the interest rate will increase to 4.3% per annum beginning in the sixth year until the maturity date.

14 FINANCIAL ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

	As at 30 June 2021 Unaudited	As at 31 December 2020
By market		
Inter-bank market	181	10,600
Stock exchange	1,968	31,288
Total	2,149	41,888
By collateral		
Bonds	2,149	41,888
	As at 30 June 2021 Unaudited	As at 31 December 2020
Maturity		
Within 3 months (including 3 months)	2,149	41,888

As at 30 June 2021, bonds with par value of RMB842 million (as at 31 December 2020: RMB11,873 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 transaction.

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 2021, the amount of financial assets deposited in the collateral pool amounted to RMB167,813 million (as at 31 December 2020: RMB164,023 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.

SECTION 10

Financial Statements

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

15 REINSURANCE LIABILITIES

The Group normally settles due to reinsurance companies on a quarterly basis.

An aging analysis of the due to reinsurance companies is as follows:

	As at 30 June 2021 Unaudited	As at 31 December 2020
Within 3 months (including 3 months)	131	171
Over 3 months and within 1 year (including 1 year)	–	118
Over 1 year	–	8
Total	131	297

16 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 2021 Unaudited	As at 31 December 2020
Number of shares registered, issued and fully paid at RMB1 per share (in million)	3,120	3,120

17 RESERVES AND RETAINED EARNINGS

	As at 30 June 2021 Unaudited	As at 31 December 2020
Share premium	23,964	23,964
Other reserve	(59)	(63)
Unrealized income	9,826	11,250
Surplus reserve	11,375	10,039
Reserve for general risk	7,414	7,414
Total	52,520	52,604

Pursuant to a resolution passed at the shareholders' general meeting on 29 June 2021, the Company appropriated a discretionary surplus reserve of RMB1,336 million, equalling to 10% of the net profit in 2020.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

18 GROSS WRITTEN PREMIUMS AND POLICY FEES

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Gross written premiums		
– Insurance contracts	100,610	96,879
Policy fees		
– Investment contracts	31	24
Gross written premiums and policy fees	100,641	96,903

19 INVESTMENT INCOME

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Interest income from bank deposits	2,795	2,009
Held-to-maturity investments		
– Interest income	5,952	5,599
Available-for-sale financial assets		
– Interest income	5,659	6,419
– Dividend income	4,141	2,642
– Net realized gains	10,451	3,728
– Impairment losses	(1,484)	(2,344)
Interest income from loans and receivables	1,271	1,308
Interest income from policy loans	978	826
Financial assets at fair value through profit or loss		
– Interest income	249	123
– Fair value losses	(8)	(1,953)
– Dividend income	290	173
– Net realized gains	494	2,184
Derivative financial Instruments		
– Fair value gains	5	–
Financial liabilities at fair value through profit or loss		
– Fair value gains/(losses)	(296)	5
Interest income from financial assets purchased under agreements to resell	45	32
Total	30,542	20,751

SECTION 10

Financial Statements

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

20 ADMINISTRATIVE EXPENSES

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Employee benefit expenses (including directors' emoluments)	4,264	4,051
Depreciation and amortization	745	685
Insurance guarantee fund	170	178
Operating lease expense	150	147
Official fees	113	100
Entertainment fees	108	114
Travel and conference fees	82	46
Electronic equipment operating costs	70	45
Promotional printing costs	42	48
Supervision fees	41	–
Postal fees	32	40
Advertising fees	15	36
Auditors' remuneration fees	11	7
Vehicle use fees	8	8
Less: Expenses recoverable from reinsurers	(224)	(368)
Others	218	183
Total	5,845	5,320

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

21 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 the 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	
	2021 Unaudited	2020 Unaudited
Current tax	1,773	1,844
Deferred tax	(235)	(809)
Total income tax	1,538	1,035

(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	
	2021 Unaudited	2020 Unaudited
Profit before income tax	12,086	9,254
Tax computed at the statutory tax rate in China	3,022	2,314
Non-taxable income (i)	(1,495)	(1,300)
Expenses not deductible for tax purposes (i)	19	28
Effect of unrecognized deferred tax assets arising from deductible losses	12	14
Use of deductible tax losses of prior years	(7)	(2)
Adjustments in respect of current tax of previous periods	(9)	(17)
Effect of different tax rates used by subsidiaries	(4)	(2)
Income tax computed at effective tax rate	1,538	1,035

- (i) Non-taxable income mainly includes interest income from government bonds, and dividend income from applicable equity financial assets, etc.. Expenses not deductible for tax purposes mainly include those expenses such as supplementary medical insurance, penalties, donations and entertainment expenses that do not meet the criteria for deduction under relevant tax regulations issued by the tax authority.

SECTION 10

Financial Statements

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

21 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 2020	(696)	858	162
Credited to net profit	2	27	29
Credited to other comprehensive income	1	–	1
As at 30 June 2020 (Unaudited)	(693)	885	192
As at 1 January 2021	(705)	858	153
Credited to net profit	6	23	29
Charged to other comprehensive income	(3)	–	(3)
As at 30 June 2021 (Unaudited)	(702)	881	179
Net deferred tax liabilities			
As at 1 January 2020	(2,332)	2,034	(298)
Credited to net profit	649	131	780
(Charged)/credited to other comprehensive income	(1,754)	787	(967)
Charged to other reserve	–	4	4
As at 30 June 2020 (Unaudited)	(3,437)	2,956	(481)
As at 1 January 2021	(6,488)	3,815	(2,673)
Credited to net profit	249	(43)	206
(Charged)/credited to other comprehensive income	1,293	(813)	480
As at 30 June 2021 (Unaudited)	(4,946)	2,959	(1,987)

As at 30 June 2021, 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 2021 (All amounts in RMB million unless otherwise stated)

21 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 amount of deductible unused tax losses for which no deferred tax asset is recognized is as follows:

	As at 30 June 2021 Unaudited	As at 31 December 2020
Deductible losses	506	611

22 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 2021 Unaudited	2020 Unaudited
Net profit attributable to shareholders of the Company (RMB in million)	10,546	8,218
Weighted average number of ordinary shares issued (in million)	3,120	3,120
Basic earnings per share (RMB)	3.38	2.63

(2) Diluted

The Company has no dilutive potential ordinary shares. Diluted earnings per share are the same as basic earnings per share for the six months ended 30 June 2021 (for the six months ended 30 June 2020 (unaudited): same).

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

23 DIVIDENDS

Pursuant to a resolution passed at the shareholders' general meeting on 29 June 2021, a final dividend of RMB1.39 per ordinary share (inclusive of tax) totalling RMB4,336 million was declared.

24 SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) Related parties

(a) Subsidiaries

Refer to Note 28 for the basic and related information of subsidiaries.

(b) Associates and joint ventures

Refer to Note 7 for the basic and related information of associates and joint ventures.

(c) Other related parties

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

Significant related parties	Relationships
Central Huijin Investment Ltd. ("Huijin")	Shareholder that has significant influence over the Company
China Baowu Steel Group Corporation Limited.	Shareholder that has significant influence over the Company
FOSUN International Limited and its subsidiaries ("FOSUN International")	Company under direct or indirect control of the shareholder that has significant influence over the Company
Hwabao WP Fund Management Co., Ltd ("Hwabao WP Fund")	Company under indirect control of the shareholder that has significant influence over the Company
Tebon Fund Management Co., Ltd ("Tebon Fund")	Company under direct or indirect control of the shareholder that has significant influence over the Company

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

24 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Significant transactions with related parties

The table set forth below summarizes significant related party transactions:

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Transactions between the Group and other related parties		
– Investment income arising from investing trust products related to FOSUN International (xi)	37	37
– Investment income arising from investing financial assets of FOSUN International (x)	30	11
– Interest from bonds issued by Huijin (i)	17	20
– Investment income arising from investing fund of Hwabao WP Fund (ix)	10	7
– Investment income arising from investing fund of Tebon Fund	–	1
Transactions between the Group and its associates		
– Cash dividends from China Jinmao (ii)	123	107
– Investment income arising from investing trust products related to China Jinmao (xii)	120	61
– Cash dividends received from Huixin Capital International (iii)	20	–
Transactions between the Group and its joint venture		
– Health check and service fee paid to New China Health (iv)	29	10
– Rent earned from New China Health (v)	6	4
Transactions between the Company and its subsidiaries		
– Investment management fee to Asset Management Company (vi)	262	226
– Investment management fee to New China Asset Management (Hong Kong) Co., Ltd. ("Asset Management Company (Hong Kong)") (vi)	33	33
– Rent and property fee paid to Xinhua Haoran Architecture Science and Technology Co., Ltd. ("Xinhua Haoran") (vii)	21	21
– Rent earned from Asset Management Company (v)	7	7
– Conference and training fees paid to New China Village Health Technology (Beijing) Co., Ltd. ("Health Technology") (viii)	7	4
– Rent earned from New China Pension Co., Ltd. ("New China Pension") (v)	2	2
– IT service fee paid to New China Electronic Commerce Co., Ltd. ("Electronic Commerce")	–	2
– Sales commissions earned from New China Pension	–	1
– Additional capital contribution to Hefei New China Life Supporting Construction Operation Management Co., Ltd. ("Hefei Supporting Operation")	–	230

The above significant transactions with related parties did not constitute the connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

24 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Significant transactions with related parties (Continued)

(i) *Bond 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 2021. Huijin is a state-owned investment company established under the Company Law of the PRC, which is 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. The bonds with par value of RMB200 millions matured in 2018. The bonds with par value of RMB100 millions, matured in 2020. At 30 June 2021, the carrying value of these bonds was RMB900 million (as at 31 December 2020: RMB900 million). The recognized bond interest for the six months ended 30 June 2021 was RMB17 million (for the six months ended 30 June 2020: RMB20 million).

(ii) *Cash dividends from China Jinmao*

The cash dividends recognized but not received by the Company for the six months ended 30 June 2021 amounted to RMB123 million (for the six months ended 30 June 2020: RMB107 million).

(iii) *Cash dividends received from Huixin Capital International*

The cash dividends recognized and received by the Company for the six months ended 30 June 2021 amounted to RMB20 million (for the six months ended 30 June 2020: Nil).

(iv) *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 services from New China Health for underwriting review, employee welfare, marketing and agent incentive plan, etc.. Approximately RMB29 million of expenses were incurred for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB10 million).

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

24 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Significant transactions with related parties (Continued)

(v) Office rental contracts

The Company leased 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, Nanyang International Building at Haikou, and part of the office building located in Xianglong Building at Yantai to New China Health. The accrued rentals for the six months ended 30 June 2021 were about RMB6 million (for the six months ended 30 June 2020: RMB4 million).

The Company leased part of the New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to Asset Management Company as its office. The accrued rentals were approximately RMB7 million for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB7 million).

The Company leased part of the New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to New China Pension as its office. The accrued rentals were approximately RMB2 million for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB2 million).

(vi) Investment management service agreement

The Company and Asset Management Company entered into an annual investment management service agreement for entrusted investments in 2021. 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 2021. 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 2021 (All amounts in RMB million unless otherwise stated)

24 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Significant transactions with related parties (Continued)

(vii) *Rent and property management fee paid to Xinhua Haoran*

The Company entered into a one-year lease contract for rental and property management with Xinhua Haoran in February 2021. According to the contract, the Company rents part of the office building located at No.137 Jinghaisan Avenue, Yi Zhuang, Daxing District, Beijing from Xinhua Haoran, as well as receives property management service. The accrued rent expenses and property management fees incurred in administrative expenses for the six months ended 30 June 2021 were RMB21 million (for the six months ended 30 June 2020: RMB21 million).

(viii) *Conference and training fees paid to Health Technology*

The Company paid conference service fees and training service fees to Health Technology in 2021. Expenses of approximately RMB7 million were incurred for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB4 million).

(ix) *Investment income arising from investing fund of Hwabao WP Fund*

In the first half of 2021, the Company did not purchase or redeem public offered funds of Hwabao Fund with insurance capital in either market in the field or over-the-counter market. For the six months ended 30 June 2021, the Company recognized investment income arising from public offered funds of Hwabao Fund invested by the Company in previous periods amounted to RMB10 million (for the six months ended 30 June 2020: RMB7 million).

(x) *Investment income arising from investing financial assets of FOSUN International*

In the first half of 2021, the Company purchased and redeemed financial assets issued by FOSUN International with insurance fund based on market principle of justice and equity. For the six months ended 30 June 2021, the Company recognized investment income amounted to RMB30 million (for the six months ended 30 June 2020: RMB11 million).

(xi) *Investment income arising from trust products related to FOSUN International*

On 28 August 2019, the second meeting of the seventh session of the Board of Directors considered and approved the proposal of "The Company's Related Transactions with Five FOSUN Affiliates", which enable the Company to use insurance funds to purchase and redeem all kinds of trust products related to FOSUN International. For the six months ended 30 June 2021, the Company recognized investment income amounted to RMB37 million (for the six months ended 30 June 2020: RMB37 million).

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

24 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Significant transactions with related parties (Continued)

(xii) Investment income arising from trust products related to China Jinmao

On 25 March 2020, the eighth meeting of the seventh session of the Board of Directors considered and approved the proposal of "The Company's Related Transactions with China Jinmao", which enables Asset Management Company to use the entrusted funds of the Company to purchase trust products guaranteed by China Jinmao. The Company recognized investment income of the above trust product transaction of RMB120 million (for the six months ended 30 June 2020: RMB61 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 to Asset Management Company and Asset Management Company (Hong Kong) are calculated based on the negotiated service charge rate and the scale of investments. The health check and service fees to New China Health and Rehabilitation Hospital are calculated based on market price. The rent paid to Xinhua Haoran is based on the price agreed by both of the deal. The conference and training fees to Health Technology are based on the prices agreed by transaction parties. All other transactions are calculated based on the negotiated price between transaction parties.

(3) Related party balances

	Group	
	As at 30 June 2021 Unaudited	As at 31 December 2020
Balances of related party transactions		
Interest receivable		
Huijin	30	12
FOSUN International	29	17
Dividend receivable		
China Jinmao	124	–
Other receivables		
New China Health	6	8
Other payables		
New China Health	13	5

SECTION 10

Financial Statements

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

24 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(3) Related party balances (Continued)

	Company	
	As at 30 June 2021 Unaudited	As at 31 December 2020
Payables to subsidiaries		
Asset Management Company	72	172
Asset Management Company (Hong Kong)	17	15
Electronic Commerce	14	14
Xinhua Haoran	2	1
Health Technology	1	–

No provision has been made for receivables from related parties as at 30 June 2021 (As at 31 December 2020: same).

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

(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	
	2021 Unaudited	2020 Unaudited
Payroll and welfare	15	13

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

24 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(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 IAS 24 (Amendment) exemption and disclosed only qualitative information.

As at 30 June 2021, 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; most investments were entrusted to state-owned enterprises. For the six months ended 30 June 2021, 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; most of the bank deposits interest income on was from state-owned banks.

25 CONTINGENCIES

The Group is involved in estimations 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.

As at 30 June 2021, except for the items described above, all kinds of estimations and contingencies resulting from insurance services within the scope of this report, the Group does not have any significant contingency that needs description.

SECTION 10

Financial Statements

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

26 COMMITMENTS

(1) Capital commitments

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

	As at 30 June 2021 Unaudited	As at 31 December 2020
Contracted, but not provided for	1,321	1,996
Authorized, but not contracted for	488	101
Total	1,809	2,097

(2) Operating lease rental receivables

The future minimum lease receivables under non-cancellable operating leases are as follows:

	As at 30 June 2021 Unaudited	As at 31 December 2020
Within 1 year (including 1 year)	368	351
Between 1 and 2 years (including 2 years)	321	294
Between 2 and 3 years (including 3 years)	247	231
Between 3 and 4 years (including 4 years)	178	111
Between 4 and 5 years (including 5 years)	94	50
More than 5 years	85	115
Total	1,293	1,152

(3) Investment commitments

As at 30 June 2021, a total amount of RMB2,291 million was disclosed as an investment commitment contracted but not provided for (as at 31 December 2020: RMB1,448 million).

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

27 SUBSEQUENT EVENTS

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

28 INVESTMENTS IN SUBSIDIARIES

Details of the Company's subsidiaries as at 30 June 2021 are as follows:

	Place of incorporation/ registration and business	Principal activities	Type of legal entity	Registered share capital	Percentage of equity attributable to the Company	
					Direct	Indirect
Asset Management Company	Beijing, China	Asset management	Limited company	RMB500 million	99.40%	–
Asset Management Company (Hong Kong)	Hong Kong, China	Asset management	Limited company	HKD50 million	40%	59.64%
Health Technology	Beijing, China	Real estate property development and training	Limited company	RMB1,575 million	100%	–
Xinhua Village Seniors Service (Beijing) Co., Ltd.	Beijing, China	Service	Limited company	RMB964 million	100%	–
Xinhua Village Seniors Operation Management (Beijing) Co., Ltd. ("Xinhua Seniors Operation") (i)	Beijing, China	Service	Limited company	RMB260 million	100%	–
Electronic Commerce	Beijing, China	Electronic commerce	Limited company	RMB200 million	100%	–
Hefei Supporting Operation	Hefei, China	Real estate property investment and management	Limited company	RMB3,200 million	100%	–
New China Pension	Shenzhen, China	Insurance service	Limited company	RMB5 billion	99.80%	0.20%
Xinhua Village Seniors Investment Management (Hainan) Co., Ltd.	Qionghai, China	Real estate property development and training	Limited company	RMB1,908 million	100%	–
Guangzhou Yuerong Project Construction Management Co., Ltd.	Guangzhou, China	Real estate property investment and management	Limited company	RMB10 million	100%	–
Xinhua Haoran	Beijing, China	Real estate lease and property management	Limited company	RMB500 million	100%	–
New China Excellent Rehabilitation Hospital Co., Ltd.	Beijing, China	Medical service	Limited company	RMB170 million	100%	–

- (i) On 28 April 2020, the ninth meeting of the seventh session of the Board of Directors of the Company considered and approved the proposal of "Adjusting Shanggu Real Estate into a Seniors Operation Management Company and Increasing the Registered Capital – Related Party Transactions", which decided to change the name of Xinhua Village Shanggu (Beijing) Real Estate Co., Ltd. to Xinhua Village Seniors Operation Management (Beijing) Co., Ltd, adjust its business scope, change the representative of corporation and increase the registered capital of RMB245 million. On 7 January 2021, Xinhua Seniors Operation has registered the change, and the registered capital is RMB260 million after the change. As of the approval date of the financial statements, the Company has not actually paid additional capital contribution.

SECTION 10

Financial Statements

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2021 (All amounts in RMB million unless otherwise stated)

28 INVESTMENTS IN SUBSIDIARIES (Continued)

Details of the Company's mainly controlled structured entities as at 30 June 2021 are as follow:

	Place of incorporation/ registration and business	Principal activities	Registered share capital	Percentage of equity attributable to the Group
New China Asset Management – Mingmiao No.8 Asset Management Product	Not applicable	Asset management product	RMB6,128 million	79.00%
New China Asset Management – Mingmiao No.2 Asset Management Product	Not applicable	Asset management product	RMB5,583 million	95.69%
New China Asset Management – Mingyuan No.8 Asset Management Product	Not applicable	Asset management product	RMB5,000 million	100%
Dongguan Trust Hengxin – Wanda Group Trust Product	Not applicable	Trust product	RMB4,000 million	100%
Lujiazui Trust – Zhongwei New Energy Perpetual Bond	Not applicable	Trust product	RMB4,000 million	100%
New China Asset Management – Jingxing Series Special Products (Fifth Phase)	Not applicable	Asset management product	RMB2,981 million	100%
New China-Wanke Wuhan Plant and Equipment Debt Investment Plan	Not applicable	Debt Investment Plan	RMB2,625 million	100%
New China Asset Management – Mingmiao No.1 Asset Management Product	Not applicable	Asset management product	RMB2,277 million	100%
New China-Urban Construction Infrastructure and Property Debt Investment Plan (First Phase)	Not applicable	Debt Investment Plan	RMB2,000 million	100%
New China Asset Management – Jingxing Series Special Products (Third Phase)	Not applicable	Asset management product	RMB1,869 million	100%
New China-Haidian Stated Capital Infrastructure and Property Debt Investment Plan	Not applicable	Debt Investment Plan	RMB1,310 million	84.73%
New China Asset Management – Mingyi No.1 Asset Management Product	Not applicable	Asset management product	RMB1,196 million	46.66%
New China Asset Management – Mingxin No.5 Asset Management Product	Not applicable	Asset management product	RMB1,168 million	100%
Mentougou New City Phase 1 Plant and Equipment Debt Investment Plan	Not applicable	Debt Investment Plan	RMB1,000 million	100%

All subsidiary undertakings are included in the consolidation. There are no significant restrictions on the use of assets or the discharge of liabilities of all subsidiaries. The non-controlling interests of subsidiaries are immaterial to the Group.

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.

29 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements have been approved and authorized for issue by the Board of Directors on 26 August 2021.