IMPORTANT NOTICE

NOT FOR DISTRIBUTION INTO THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering circular (the "**Offering Circular**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer (as defined in the Offering Circular) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation:

In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must be purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to the Joint Lead Managers (as defined in the Offering Circular) and the Issuer (as defined in the Offering Circular) (1) that you and any customers you represent are not, and that the electronic mail address that you gave the Issuer and to which this e-mail has been delivered is not, located in the United States and (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person.

The materials relating to any offering of securities described in the Offering Circular do not constitute, and may not be used in connection with, an offer or solicitation by or on behalf of any of the Issuer, the Joint Lead Managers in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and any Joint Lead Manager or any affiliate of a Joint Lead Manager is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Joint Lead Managers or any person who controls the Joint Lead Managers nor any director, officer, employee nor agent of the Joint Lead Managers or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The Offering Circular is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the Offering Circular.

Actions that you may not take: If you receive this document by e-mail, you should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

Union Life
合众人寿

UNION LIFE INSURANCE CO., LTD.
(合 眾 人 壽 保 險 股 份 有 限 公 司)

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

U.S.$500,000,000 3.00 per cent. Notes due 2021
Issue Price: 98.410 per cent.

The U.S.$500,000,000 3.00 per cent. Notes due 2021 (the "**Notes**") will be issued by Union Life Insurance Co., Ltd. (the "**Issuer**" or the "**Company**"), a joint stock company incorporated in the People's Republic of China with limited liability. The Notes will bear interest from 19 September 2016 (the "**Issue Date**") at the rate of 3.00 per cent. per annum. Interest on the Notes is payable semi-annually in arrear on 19 March and 19 September in each year, commencing with the first Interest Payment Date (as defined in the terms and conditions of the Notes (the "**Terms and Conditions**") falling on 19 March 2017.

The Notes will constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC or any political subdivision thereof or any authority therein or thereof having power to tax unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. See "*Terms and Conditions of the Notes – Taxation*".

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知 (發改外資[2015]2044號)) (the "**NDRC Circular**") issued by the National Development and Reform Commission of the PRC or its local counterparts ("**NDRC**") on 14 September 2015 which came into effect on the same day, the Issuer has registered the issuance of the Notes with the NDRC and obtained a certificate from NDRC on 4 July 2016 evidencing such registration and undertakes to provide the requisite information on the issuance of the Notes to the NDRC within 10 PRC Business Days (as defined in the Terms and Conditions) after the Issue Date.

Unless previously redeemed, or purchased and cancelled as provided herein, the Issuer will redeem each Note at its principal amount on 19 September 2021 (the "**Maturity Date**"). At any time, on giving not less than 30 nor more than 60 days' notice to the holders of the Notes (the "**Noteholders**") (which notice shall be irrevocable), the Issuer may redeem the Notes in whole, but not in part, at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that the Issuer has or will become obliged to pay Additional Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 8 September 2016, and such obligation cannot be avoided by the Issuer taking reasonable measures available to it. At any time following the occurrence of a Change of Control (as defined in the Terms and Conditions), each Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of that Noteholder's Notes on the Put Settlement Date (as defined in the Terms and Conditions) at 101 per cent. of their principal amount, together with accrued interest to such Put Settlement Date. See "*Terms and Conditions of the Notes – Redemption and Purchase*".

The Notes will be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Notes are expected to be rated "Baa3" by Moody's Investors Service, Inc. ("**Moody's**"). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Investing in the Notes involves risks. See "*Risk Factors*" beginning on page 13 for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S of the Securities Act. For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this Offering Circular, see "*Subscription and Sale*".

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of the Notes by way of debt issues to professional investors only (as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong). This Offering Circular is for distribution to professional investors only. **Investors should not purchase the Notes in the primary or secondary markets unless they are professional investors and understand the risks involved. The Notes are not suitable for retail investors.**

Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to professional investors only have been reproduced in this document. Listing of the Notes on Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Issuer or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, 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 Offering Circular.

The Notes will be represented by beneficial interests in a global note certificate (a "**Global Note Certificate**") in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about the Issue Date with a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Note Certificate will be shown on, and transfer thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Notes will not be issued in exchange for interests in the Global Note Certificate.

Joint Global Coordinators

HSBC **ICBC International** **Morgan Stanley**

Joint Bookrunners and Joint Lead Managers

HSBC **ICBC International** **Morgan Stanley** **BOC International** **CNCB HK Capital**

Offering Circular dated 8 September 2016

NOTICE TO INVESTORS

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR ANY OF ITS SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, its subsidiaries (together with the Issuer, the "**Group**") and the Notes which is material in the context of the issue, offering, sale, marketing or distribution of the Notes (including all information which is required by all applicable laws or, according to the particular nature of the Issuer, the Group and of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Group, and the rights attaching to the Notes); (ii) this Offering Circular does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (iii) the statements of fact contained in this Offering Circular are in every material respect true and accurate and not misleading, and there are no other facts in relation to the Issuer, the Group and the Notes the omission of which would, in the context of the issue, offering, sale, marketing and distribution of the Notes, make any statement in this Offering Circular, misleading; (iv) the statements of intention, opinion, belief or expectation contained in this Offering Circular are honestly and reasonably made or held and have been reached after considering all relevant circumstances and based on reasonable assumptions; (v) all reasonable enquiries have been and will be made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements; (vi) all statistical, industry and market-related data including in this Offering Circular are derived from sources which are accurate and reliable; and (vii) all descriptions of contracts or other material documents described in the Offering Circulars are accurate descriptions in all material respects and fairly summarise the contents of such contracts or documents.

The Issuer has prepared this Offering Circular solely for use in connection with the proposed offering of the Notes described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of The Hongkong and Shanghai Banking Corporation Limited, ICBC International Securities Limited, Morgan Stanley & Co. International plc, BOCI Asia Limited and CNCB (Hong Kong) Capital Limited (together, the "**Joint Lead Managers**") or the Issuer to subscribe for or purchase any of the Notes. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Hong Kong, the PRC, Singapore and Japan and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Notes, and distribution of this Offering Circular, see "*Subscription and Sale*". By purchasing the Notes, investors represent and agree to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, Notes. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group or the Notes other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Joint Lead Managers, the Trustee or the Agents (as defined in the Terms and Conditions) or their respective directors, officers, affiliates or advisers. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer or the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates to subscribe for or purchase the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers or advisers has independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers or advisers, as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Notes. Nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of the respective affiliates, directors, officers or advisers. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of the respective affiliates, directors, officers or advisers that any recipient of this Offering Circular should purchase the Notes. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or on any person affiliated with the Joint Lead Managers, the Trustee or the Agents in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the merits and risks involved in investing in the Notes. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Notes are expected to be assigned a rating of "Baa3" by Moody's Investors Services, Inc. ("**Moody's**"). A rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of prepayment and may be subject to revision, qualification, suspension or withdrawal at any time by the assigning rating organisation. A revision, qualification, suspension or withdrawal of any rating assigned to the Notes may adversely affect the market price of the Notes.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers or advisers accepts any responsibility for the contents of this Offering Circular and assume no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers or advisers or on their behalf in connection with the Issuer or the issue and offering of the Notes. Each of the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, officers or advisers accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers or advisers undertakes to review the results of operations, financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers or advisers.

IN CONNECTION WITH THIS OFFERING, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISING MANAGER (THE "STABILISING MANAGER") OR ANY PERSON(S) ACTING ON BEHALF OF THE STABILISING MANAGER MAY, SUBJECT TO ALL APPLICABLE LAWS, OVER-ALLOT

NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE(S) OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

Any of the Joint Lead Managers and their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes). Furthermore, investors in the Notes may include entities affiliated with the Group.

Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Notes under applicable laws or regulations.

Industry and Market Data

Facts, forecasts and statistics in this Offering Circular relating to the PRC's economy and the industries in which the Group operates, market data and certain industry forecasts used throughout this Offering Circular have been obtained based on internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed by the Issuer to be reliable and accurate but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Joint Lead Managers or their respective affiliates, directors, officers and advisers makes any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

Presentation of Financial Information

The Issuer prepares its consolidated financial statements in accordance with Accounting Standards for Business Enterprises (the "**PRC GAAP**"). The Issuer's consolidated financial information as of and for the years ended 31 December 2014 and 2015 (the "**Company's Financial Statements**") have been audited by Pan-China Certified Public Accountants LLP Beijing Branch ("**Pan-China**"), the independent auditor of the Issuer. PRC GAAP differs in certain material respects from the International Financial Reporting Standards ("**IFRS**"). See "*Material Differences between PRC Accounting Standards and International Financial Reporting Standards*". The Issuer has not prepared any reconciliation of such consolidated financial information between PRC GAAP and IFRS and has not quantified such differences.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

All non-company specific statistics and data relating to the Issuer's industry or the economies of pertinent jurisdictions, such as the PRC, have been extracted or derived from publicly available information and various government sources. The Issuer believes that the sources of this information are appropriate for such information and the Issuer has taken reasonable care in extracting and reproducing such information. The Issuer has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, such information has not been independently verified by the Issuer, the Joint Lead Managers, the Trustee or the Agents or by their respective affiliates, officers, employees, directors, advisers and agents and none of the Issuer, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, officers, employees, directors, advisers and agents makes any representation as to the correctness, accuracy or completeness of such information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

This Offering Circular contains a translation of certain Renminbi amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise specified, where financial information in relation to the Issuer has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of CNY6.6459 to U.S.$1.00 (the noon buying rate in New York City on 30 June 2016 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). Further information regarding exchange rate is set forth in "**Exchange Rate**" in this Offering Circular. No representation is made that the Renminbi amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the "**PRC**", "**China**" and "**mainland China**" are to the People's Republic of China (excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan), and all references to the "**United States**" and "**U.S.**" are to the United States of America, all references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China; all references to "**Renminbi**", "**RMB**" and "**CNY**" are to the lawful currency of the PRC, and all references to "**USD**", "**U.S.$** and "**U.S. dollars**" are to the lawful currency of the United States of America. Historical amounts translated into Renminbi have been translated at historical rates of exchange. Such translations should not be construed as representations that the amounts referred to herein could have been or could be converted into Renminbi at those rates or any other rate at all.

FORWARD-LOOKING STATEMENTS

The Issuer has made certain forward-looking statements in this Offering Circular. All statements other than statements of historical facts contained in this Offering Circular constitute “forward-looking statements”. Some of these statements can be identified by forward-looking terms, such as “anticipate”, “target”, “believe”, “can”, “would”, “could”, “estimate”, “expect”, “aim”, “intend”, “may”, “plan”, “will” or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, revenue, profitability, planned projects and other matters as they relate to the Issuer discussed in this Offering Circular regarding matters that are not historical facts. These forward-looking statements and any other projections contained in this Offering Circular (whether made by the Issuer or by any third party) involve known and unknown risks, including those disclosed under “*Risk Factors*”, uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

These forward-looking statements speak only as of the date of this Offering Circular. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this Offering Circular to reflect any change in the Issuer’s expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

The factors that could cause the actual results, performances and achievements of the Issuer to be materially different include, among others:

- ability to successfully implement business plans and strategies;
- future developments, trends and conditions in the PRC life insurance industry;
- business prospects;
- capital expenditure plans;
- the continued availability of capital and financing;
- the actions and developments of competitors;
- financial condition and performance;
- dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Issuer’s business;
- general political and economic conditions, including those related to the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Issuer operates;
- various business opportunities that the Issuer may pursue;
- macroeconomic measures taken by the PRC government to manage economic growth;
- changes in the global economic conditions and material changes in the global life insurance industry; and
- other factors, including those discussed in “*Risk Factors*”.

The Issuer does not undertake any obligation to update or revise publicly any of the opinions or forward-looking statements expressed in this Offering Circular as a result of any new information, future events or otherwise.

AIA HK	American International Assurance Co. Ltd. Hong Kong Branch
APE	annualised premium equivalent
Beijing Tianxinjie Investment	Beijing Tianxinjie Investment Co., Ltd. (北京天信杰投資有限公司)
CAGR	compound annual growth rate
CCRC	Casualty Care Research Center
CIRC	China Insurance Regulatory Commission
China Finance Society	China Society for Finance and Banking (中國金融學會)
China Insurance Society	The Insurance Society of China (中國保險學會)
EonTime Real Estate	Eontime Real Estate (Group) Co., Ltd. (永泰房地產(集團)有限公司)
Hubei Chuhan Trade	Hubei Chuhan Economic & Trade Co., Ltd. (湖北楚漢經貿有限公司)
Hubei Defan Investment	Hubei Defan Investment Co., Ltd. (湖北德凡投資有限公司)
MOF	the Ministry of Finance of the PRC
NBP	new business premium
PBOC	the People's Bank of China
Prudential	Prudential Plc
ROAA	return on average assets; represents the percentage of net profit for the period (including profit attributable to non-controlling interests) in the average balance of total assets as at the beginning and the end of the period
ROAE	return on average equity attributable to equity holders of the parent company; represents the percentage of profit attributable to equity holders of the Company for the period in the average balance of equity attributable to equity holders of the Company as at the beginning and the end of the period
Simaite Investment	Simaite Investment Co., Ltd. (斯邁特投資股份有限公司)
Taiyo Life	Taiyo Life Insurance Company (太陽生命保険株式會社)
TWP	total weighted premiums
Union AMC	Union Asset Management Company Limited (合眾資產管理股份有限公司)

Union P&C .... Union Property and Casualty Insurance Co., Ltd.

Zhongfa Group .... Zhongfa Industry (Group) Co., Ltd. (中發實業(集團)有限公司)

CONTENTS

SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this Summary. Prospective investors should therefore read this Offering Circular in its entirety.

OVERVIEW

The Group is a nationwide insurer with a diversified business portfolio in the PRC including life insurance, health insurance, accidental insurance, motor vehicle insurance, asset management and senior care. Since incorporation on 28 January 2005, the Group has become a medium-sized insurer in the PRC insurance market with steady growth. The Group has built one of the industry-leading individual agent channels in the PRC with high productivity and profitability and the Group is focused on developing and maintaining a balanced product portfolio with an emphasis on high margin insurance products. In addition, the Group operates an industry-leading senior care business with domestic and overseas retirement communities and has developed a model connecting life insurance with senior care communities, providing integrated retirement solutions for the elderly.

The value of the Group's assets and its gross written premiums has grown steadily since its establishment in 2005. As at 31 December 2013, 2014 and 2015, the Group's total assets were RMB48,381.4 million, RMB73,897.8 million and RMB76,737.1 million, respectively. For the years ended 31 December 2013, 2014 and 2015, the Group's gross written premiums amounted to RMB6,925.7 million, RMB11,776.1 million and RMB12,337.6 million, respectively. In addition, notwithstanding only being established in 2005, the Group became profitable in 2009. For the years ended 31 December 2013, 2014 and 2015, the Group's net profit amounted to RMB935.6 million, RMB406.2 million and RMB820.8 million, respectively.

The following table sets forth gross written premiums according to product type during the years indicated.

	For the year ended 31 December		
	2013	2014	2015
		(RMB in millions)	
Gross written premiums			
Life insurance			
Participating insurance	5,843.8	4,781.3	5,133.0
Universal insurance	17.4	16.6	16.2
Traditional insurance	304.3	5,952.8	5,671.0
Health insurance	657.6	907.1	1,355.8
Accidental insurance	102.5	118.1	159.0
Motor vehicle insurance	–	–	2.7
Total	**6,925.7**	**11,776.1**	**12,337.6**

The Group's product offerings can also be classified into single premium products, regular premium products or reinsurance products. For the year ended 31 December 2015, regular premium products contributed to 76.2% of the Group's APE.

As at 31 December 2015, the Group had nearly 5 million individual and group life insurance policies, annuity contracts, health insurance and accident insurance policies in force. The Group had 2.00 million, 2.27 million and 2.28 million in-force policy holders for long-term insurance policies as at 31 December 2013, 2014 and 2015, respectively. The policy persistency ratio, which is the ratio of the insurance policies that are still effective after a certain period, were 86% in 2013, 88% in 2014 and 89% in 2015 for insurance policies effective 13 months after issuance, respectively, and 82% in 2013, 81% in 2014 and 82% in 2015 for insurance policies effective 25 months after issuance, respectively.

The Group benefits from its growing distribution force with extensive geographic reach. As of 31 December 2015, the Group had 26 branches, 77 sub-branches, 481 service offices, 1 telemarketing centre, and approximately 58,000 individual agents to market its insurance products. The Group has established certain major distribution channels, including agent sales, bancassurance, internet, group distribution and telemarketing covering diversified life insurance products in the market. See "*Distribution Channels*".

The Group has solid investment strategies in place and believes a prudent investment approach allows the Group to maintain financial stability in volatile macroeconomic and financial conditions. The Group's investment assets as at 31 December 2013, 2014 and 2015 amounted to RMB45.3 billion, RMB56.9 billion and RMB62.3 billion, respectively. For the years ended 31 December 2013, 2014 and 2015, the Group's total investment yield was 9.1%, 6.5% and 6.9%, respectively.

COMPETITIVE STRENGTHS

The Group's competitive strengths, as set forth in the following, will enable the Group to benefit from the fast growing insurance industry and the increasing demand for insurance products:

- Continuous value growth and strong profitability;
- Individual agent channel at the core of diversified distribution channels;
- Value-oriented, high quality and balanced product structure;
- Conservative investment portfolio with strong returns on investment;
- Well-established risk control system and solid capital position; and
- Visionary and experienced management team.

BUSINESS STRATEGIES

The Group intends to focus on further developing its core life insurance business, with a key focus on high-margin products, and promoting organic growth of its other insurance and financial operations to provide customers with a more well-rounded offering of products and services. The Group also aims to reinforce its capital base in order to facilitate business development.

In order to achieve these objectives, the Group intends to capitalise on the Group's enhancing position in China's life insurance market and pursue the following business strategies:

- Focus on growth to realise economies of scale and maintain prudent operations by balancing value creation and business scale expansion to achieve robust high quality growth;
- Strengthen distribution networks, expand distribution coverage and continue to develop the Group's individual agent channel;
- Focused development of the Group's featured products;
- Strengthen capital base to facilitate the Group's business development; and
- Enhance talent development.

THE OFFERING

The following summary contains some basic information about the Notes and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in the Terms and Conditions and the "Summary of Provisions Relating to the Notes while in Global Form" shall have the same meanings in this summary. For a complete description of the terms of the Notes, see "Terms and Conditions of the Notes" in this Offering Circular.

The offering of the Notes contemplated hereby will be made pursuant to the Subscription Agreement (as defined in "Subscription and Sale").

Issuer	Union Life Insurance Co., Ltd. (合眾人壽保險股份有限公司).
Notes	U.S.$500,000,000 3.00 per cent. Notes due 2021.
Issue Price	98.410 per cent.
Form and Denomination	The Notes will be issued in registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Interest	The Notes will bear interest from the Issue Date at the rate of 3.00 per cent. per annum, payable semi-annually in arrear on 19 March and 19 September in each year.
Issue Date	19 September 2016.
Maturity Date	19 September 2021.
Status of the Notes	The Notes will constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Negative pledge	The Notes will contain a negative pledge provision as further described in "*Terms and Conditions of the Notes – Covenant – Negative Pledge*".
Notification to NDRC	The Issuer undertakes to file or cause to be filed with the NDRC the requisite information and documents within 10 Beijing Business Days after the Issue Date in accordance with the NDRC Circular. The Issuer shall complete the NDRC Post-issue Filing within the prescribed time frame and shall comply with all applicable PRC laws and regulations in connection with the Notes. The Issuer shall within 10 Beijing Business Days after submission of such NDRC Post-issue Filing (i) provide the Trustee with a certificate confirming the submission of the NDRC Post-issue Filing and (ii) give notice to the Noteholders.
Redemption at Maturity	Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at its principal amount on the Maturity Date.

Taxation .... All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law.

Where such withholding or deduction is made by the Issuer in the PRC at the rate applicable on 8 September 2016 (the "**Applicable Rate**"), the Issuer will pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

In the event that the Issuer is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, the Issuer shall pay such additional amounts (the "**Additional Amounts**") as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in the circumstances set out in "*Terms and Conditions of the Notes – Taxation*".

Redemption for Tax Reasons........ The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(A) the Issuer has or will become obliged to pay Additional Amounts as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 8 September 2016; and

(B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due.

Redemption for Change of Control	At any time following the occurrence of a Change of Control, each Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of that Noteholder's Notes on the Put Settlement Date at 101 per cent. of their principal amount, together with accrued interest to such Put Settlement Date. A "**Change of Control**" occurs when the Controlling Person ceases to have Control of the Issuer or its successor entity. "**Control**" means (where applicable), with respect to the Issuer, the ownership, acquisition or control of 30 per cent. of the voting rights of the issued share capital of the Issuer, whether obtained directly or indirectly. "**Controlling Person**" means Zhongfa Industry (Group) Co., Ltd. (中發實業(集團)有限公司).
Events of Default	Upon the occurrence of certain events as described in "*Terms and Conditions of the Notes – Events of Default*", the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter of the aggregate principal amount of the then outstanding Notes or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality.
Cross-default	The Notes will contain a cross-default provision as further described in "*Terms and Conditions of the Notes – Events of Default – Cross-default of Issuer or Subsidiary*".
Clearing Systems	The Notes will be represented by beneficial interests in a Global Note Certificate in registered form, which will be registered in the name of a nominee of, and shall be deposited with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Note Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except in the limited circumstances described in the Global Note Certificate, owners of interests in Notes represented by a Global Note Certificate will not be entitled to receive individual Note Certificates in respect of their individual holdings of Notes. The Notes are not issued in bearer form.

Clearance and Settlement............	The Notes have been accepted for clearance by Euroclear and Clearstream under the following codes: ISIN: XS1489734746. Common Code: 148973474.
Governing Law.............................	English law.
Trustee..	The Hongkong and Shanghai Banking Corporation Limited.
Registrar, Principal Paying Agent and Transfer Agent...................	The Hongkong and Shanghai Banking Corporation Limited.
Listing...	Application has been made to the Hong Kong Stock Exchange for the listing of the Notes on the Hong Kong Stock Exchange by way of debt issues to professional investors (as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) only.
Rating...	The Notes are expected to be rated "Baa3" by Moody's. A rating is not a recommendation to buy, sell or hold the Notes. A rating is subject to revision or withdrawal at any time by the rating agency.
Further Issues..............................	The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest and the timing for reporting to the NDRC) so as to form a single series with the Notes, as the case may be, as further described in "*Terms and Conditions of the Notes – Further Issues*".
Use of Proceeds............................	See "*Use of Proceeds*".

SELECTED FINANCIAL INFORMATION

The following tables set forth the Company's selected consolidated financial information as at and for the periods indicated.

The selected consolidated financial information as at and for the years ended 31 December 2013, 2014 and 2015 set forth below is derived from and should be read in conjunction with the Company's Financial Statements, including the notes thereto and the auditor's report in respect of the year ended 31 December 2014 and 2015, which have been audited by Pan-China Certified Public Accountants and which is included elsewhere in this Offering Circular. The Company's consolidated financial information as at and for the period was prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. For a summary of the material differences, see "*Material Differences between PRC Accounting Standards and International Financial Reporting Standards*".

Consolidated balance sheet of the Group

	As at 31 December		
	2013	2014	2015
	(RMB)	*(RMB)*	*(RMB)*
	(Audited)	*(Audited)*	*(Audited)*
Assets:			
Cash and bank balances	2,100,657,399	2,318,129,569	2,348,250,724
Financial assets at fair value through profit or loss	1,497,881,603	2,140,623,191	6,834,852,977
Reverse-REPO financial assets	567,370,000	36,000,000	710,500,000
Interest receivable	772,563,601	1,006,201,965	1,074,715,593
Insurance premium receivable	167,788,301	161,165,538	198,316,581
Reinsurance premium receivable	29,820,275	1,548,826,001	1,910,574,917
Receivable reserves for reinsurance unearned premium	182,420	1,667,156	4,015,945
Receivable reserves for reinsurance outstanding claims	655,721	2,350,018	4,010,526
Receivable reserves for reinsured life insurance liabilities	774,540,165	12,671,697,100	9,487,481,539
Receivable reserves for reinsured long-term health insurance liabilities	21,204,108	21,826,300	26,284,593
Policy holder pledge loan	391,230,176	498,790,323	731,677,782
Other receivables	327,201,786	422,176,637	637,348,456
Time deposits	6,139,176,418	5,956,153,482	6,082,158,527
Available-for-sale financial assets	2,115,963,407	6,864,737,494	7,866,868,606
Held-to-maturity investments	19,000,665,825	18,762,082,984	17,917,245,099
Investments classified as loans and receivables	2,833,000,000	9,268,200,000	8,141,800,000
Long-term equity investments	36,197,583	30,264,313	72,338,211
Debt investment plans	1,985,435,546	1,821,352,093	1,530,670,885
Refundable capital guarantee deposits	557,554,000	582,554,000	722,554,000
Investment property	8,092,650,767	8,634,259,700	9,370,644,646
Fixed assets	666,607,033	629,116,143	636,892,946
Construction in progress	12,640,221	18,297,545	25,752,567
Intangible assets	164,681,988	161,136,447	162,055,337
Other assets	109,405,689	236,283,300	137,053,858
Independent account assets	16,307,880	103,879,159	103,077,143
Total assets	48,381,381,912	73,897,770,458	76,737,141,458

	As at 31 December		
	2013	2014	2015
	(RMB)	*(RMB)*	*(RMB)*
	(Audited)	*(Audited)*	*(Audited)*
Liabilities and equity			
Liabilities:			
Repo financial assets	4,398,185,831	5,641,409,778	6,127,000,000
Insurance premium received in advance	76,473,270	72,032,303	720,185,179
Handling fee and commission payable	43,666,255	46,124,391	57,733,174
Reinsured accounts payable	1,094,200,128	14,320,247,907	11,465,754,519
Employees benefits payable	58,707,027	73,435,908	118,763,069
Taxes and rates payable	30,628,151	57,771,663	140,635,888
Dividend payable	–	–	1,763,719
Indemnity accounts payable	971,917,657	1,239,011,957	1,737,046,298
Policy dividends payable	725,763,330	775,153,869	1,042,777,889
Policy holder deposits and investment funds	10,671,860,292	13,701,621,568	16,098,973,631
Liabilities from vicarious business	10,817,693	9,540,562	14,551,090
Unearned reserves	52,308,249	65,655,202	75,333,299
Reserve for outstanding claim	51,898,671	68,529,593	62,063,913
Life insurance reserve	23,841,951,956	28,990,460,501	28,835,653,985
Reserves for long-term health insurance liabilities	228,787,282	297,941,304	126,155,823
Long-term borrowings	–	–	410,070,840
Subordinated debt payable	1,100,000,000	1,100,000,000	1,100,000,000
Deferred tax liabilities	1,184,076,635	1,247,999,442	1,267,855,427
Other liabilities	185,806,155	1,078,074,557	649,794,113
Independent account liabilities	16,307,880	19,285,752	11,573,104
Total liabilities	44,743,356,460	68,804,296,257	70,063,684,960
Equity:			
Share capital	2,782,770,000	2,907,770,000	3,407,770,000
Capital reserve	235,496,896	1,110,496,896	1,110,496,896
Other comprehensive income	(37,854,583)	4,425,929	249,737,883
Undistributed profit	652,610,422	1,058,839,983	1,874,874,103
Total equity attributable to shareholders of the Company	3,633,022,735	5,081,532,808	6,642,878,882
Non-controlling interest	5,002,717	11,941,393	30,577,616
Total equity	3,638,025,452	5,093,474,201	6,673,456,498
Total liabilities and equity	48,381,381,912	73,897,770,458	76,737,141,458

Consolidated income statement of the Group

	Year ended 31 December		
	2013	2014	2015
	(RMB)	*(RMB)*	*(RMB)*
	(Audited)	*(Audited)*	*(Audited)*
Operating revenue	9,925,095,749	1,525,206,089	15,574,937,868
Premium earned	6,596,346,322	(1,579,255,645)	11,752,516,439
Revenue from insurance business	6,925,744,904	11,776,081,694	12,337,583,767
Less: reinsurance premium	327,583,536	13,343,475,122	577,738,020
Unearned premium reserves (or less: reversals)	1,815,046	11,862,217	7,329,308
Investment income (or less: losses)	1,298,111,968	2,706,834,964	3,470,043,893
Gain on changes in fair value (or less: losses)	1,911,961,041	222,046,127	128,710,178
Gains on foreign exchange (or less: losses)	(2,286,875)	107,742	527,517
Revenue from other operations	120,963,293	175,472,901	223,139,841
Operating expenses	8,516,946,626	1,056,930,450	14,706,732,510
Surrender value	2,360,176,956	2,270,178,001	6,871,892,009
Compensation payout	2,093,169,382	3,010,814,668	3,747,087,607
Less: amortized compensation expenses	58,853,763	1,571,916,916	3,967,245,056
Insurance reserve allotment	1,243,041,716	5,234,293,489	(333,057,676)
Less: amortized insurance premium reserve	259,087,554	11,899,473,424	(3,178,096,760)
Policy dividend payment	276,090,860	251,475,177	488,620,140
Taxes and surcharge for operations	16,093,887	42,274,568	110,457,308
Handling fees and commissions	629,354,123	758,314,211	1,000,566,220
Operational and administrative expenses	1,757,483,767	2,054,434,741	2,352,034,385
Less: amortized reinsurance expenditure	(1,723,118)	9,328,640	42,274,817
Costs of other operations	457,116,155	914,725,390	1,286,376,910
Assets impairment loss	637,981	1,139,185	14,178,720
Operating profit (or less: losses)	1,408,149,123	468,275,639	868,205,358
Add: non-operating revenue	12,951,536	10,686,382	13,628,019
Less: non-operating expenditures	5,231,839	8,401,095	8,899,271
Profit before tax (or less: losses)	1,415,868,820	470,560,926	872,934,106
Less: income tax expenses	480,223,658	64,392,690	52,138,338
Net profit (or less: losses)	935,645,162	406,168,236	820,795,768
Including: Net profit of the combined party before the combination			
Net profit attributable to owners of the parent company	935,643,097	406,229,561	816,034,120
Minority interest	2,065	(61,325)	4,761,648
Other comprehensive income (or less: losses)	(3,475,958)	42,280,512	245,311,954
Total comprehensive income (or less: losses)	932,169,204	448,448,748	1,066,107,722
attributable to owners of the parent company	932,167,139	448,510,073	1,061,346,074
attributable to non-controlling interest	2,065	(61,325)	4,761,648

Consolidated cash flow statement of the Group

	Year ended 31 December		
	2013	2014	2015
	(RMB)	*(RMB)*	*(RMB)*
	(Audited)	*(Audited)*	*(Audited)*
Cash flows from operating activities			
Cash receipts from receiving insurance premium of original insurance contract	4,538,783,815	9,501,588,356	6,027,447,632
Net cash receipts from reinsurance business	(63,194,626)	(55,187,513)	190,530,825
Received net increase of policy holder deposits and investment funds	6,640,353,809	2,936,335,085	2,390,642,514
Other cash receipts relating to operating activities	478,756,622	273,887,414	241,078,798
Subtotal of cash inflows from operating activities	11,594,699,619	12,656,623,342	8,849,699,769
Cash paid for indemnity of original insurance contract	1,661,526,307	2,793,833,255	3,315,407,163
Cash paid for handling fees and commissions	633,765,840	755,856,075	988,957,437
Cash paid for policy dividends	129,041,639	202,084,638	220,996,120
Cash paid to and on behalf of employees	821,327,650	877,682,928	992,418,189
Cash paid for taxes and rates	48,287,294	79,963,661	131,160,927
Other cash paid relating to operating activities	1,552,981,165	1,928,456,424	2,713,635,619
Subtotal of cash outflows from operating activities	4,846,929,895	6,637,876,981	8,362,575,455
Net cash flows from operating activities	6,747,769,724	6,018,746,361	487,124,314
Cash flows from investing activities			
Cash received from return on investments	22,830,069,345	45,456,485,862	38,683,380,616
Cash received from investment incomes	1,316,684,153	2,471,379,921	3,388,349,386
Cash received at disposal of fixed assets and intangible assets	4,597,827	5,768,065	331,883
Other cash received relating to investing activities	12,444,115	20,132,175	26,170,771
Subtotal of cash inflows from investing activities	24,163,795,441	47,953,766,023	42,098,232,656
Cash paid to acquire investments	29,803,129,926	55,997,566,184	42,666,066,412
Net increase of pledge loans of policy holder	133,169,101	111,721,181	265,444,079
Cash paid to acquire fixed assets, intangible assets and other long-term assets	685,334,333	404,659,550	253,628,305
Other cash paid relating to investing activities	837,432	–	–
Subtotal of cash outflows from investing activities	30,622,470,792	56,513,946,915	43,185,138,796
Net cash flows from investing activities	(6,458,675,352)	(8,560,180,892)	(1,086,906,140)
Cash flows from financing activities			
Cash received by absorbing equity investment	–	1,607,000,000	515,998,991
Other cash receipts from financing activities	142,492,254,486	204,827,405,192	500,134,685,797
Subtotal of cash inflows from financing activities	142,492,254,486	206,434,405,192	500,650,684,788
Cash payments for interest expenses and distribution of dividends or profit	62,314,892	90,753,756	372,295,797
Other cash payments relating to financing activities	143,280,618,655	203,584,181,245	499,652,505,547
Subtotal of cash outflows from financing activities	143,342,933,547	203,674,935,001	500,024,801,344
Net cash flows from financing activities	(850,679,061)	2,759,470,191	625,883,444
Influence of exchange rate change on cash and cash equivalents	(1,313,391)	(63,490)	(1,767,848)
Net increase of cash and cash equivalents (or less: losses)	(562,898,079)	217,972,170	24,333,770
Add: Opening balance of cash and cash equivalents	2,663,555,479	2,100,157,399	2,318,129,569
Closing balance of cash and cash equivalents	2,100,657,399	2,318,129,569	2,342,463,339

As a result of rising global economic and political uncertainty during 2016, including the stock market downturn in China and the rest of the world together with the expected slowdown in economic growth in China and other major global economies, there has been increased volatility in financial markets worldwide compared to 2015. In addition, central banks globally have introduced further monetary policy stimulus, including the use of negative interest rates and continued quantitative easing, which has placed further pressure on yields on fixed income products and investment returns. Although the Group actively manages its investment portfolio and takes a conservative approach towards its investments, there can be no assurance that market conditions will improve during the remainder of 2016.

Accordingly, it is likely that, like other PRC insurance companies, the performance of the Group for the period up to the date of this Offering Circular has been adversely affected, particularly due to lower investment income returns. As the Company is currently an unlisted company, it is only required to publicly disclose the results of its audited annual financial statements. Pursuant to the Terms and Conditions, the Company has undertaken to the Noteholders to disclose its audited financial report for the year ended 31 December 2016 within 150 days after 31 December 2016 and its semi-annual unaudited and unreviewed consolidated balance sheet, income statement, cash flow statement and statement of changes in equity in the future.

RISK FACTORS

Prior to making an investment decision, prospective investors should carefully consider the following risk factors, along with the other matters set out in this Offering Circular. PRC laws and regulations may differ from the laws and regulations in other countries. Additional risks not described below or not currently known to the Group or that it currently deems immaterial may also adversely affect the Group's business, financial condition or results of operations or the value of the Notes. The Group believes that the risk factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Group to pay interest, principal or other amounts on or in connection with any Notes may occur for reasons which may not be considered as significant risks by the Group based on information currently available to it or which it may not currently be able to anticipate. All of these factors are contingencies which may or may not occur and the Group is not in a position to express a view on the likelihood of any such contingency occurring.

The Group does not represent that the statements below regarding the risk factors of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

Risks relating to the Group's business

The Group's business is inherently subject to market fluctuations, general economic conditions, government and regulatory policies and international macroeconomic condition.

The Group primarily engages in diversified insurance business and investment. The premium revenue generated from insurance business and investment returns may be materially and adversely affected by market fluctuations and general economic conditions. Volatile capital market conditions may have a material adverse impact on the Group's business, financial condition and results of operations. Furthermore, concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, unemployment, consumer confidence, declining asset values, capital market volatility and liquidity issues have created difficult operating conditions in the past and could create difficult operating conditions in the future, any of which could have a material adverse effect on the Group's business, financial condition and results of operations, including in the following ways:

- *Decreased sales of the Group's products.* An economic downturn or other adverse events may result in higher unemployment levels, lower family income, decreased corporate earnings and reduced business investment and consumer spending, which could in turn significantly reduce the demand for the Group's insurance products. In addition, the Group's ability to sell certain investment-linked insurance products may be materially and adversely affected by excessive volatility in global capital markets.

- *Losses from term deposit*. The Group invests mainly in China and a portion of its total investment assets consists of term deposits with Chinese banks. The performance of the Group's investment portfolio is therefore particularly sensitive to market and macroeconomic conditions in China, including the financial performance and repayment ability of certain PRC state-related entities, some of which may depend on government support. A serious downturn in the Chinese economy may lead to investment losses, which would reduce its earnings.

- *Losses from fixed income securities.* An economic downturn or other adverse events may result in financial difficulties or default by issuers of fixed income securities held in the Group's investment portfolios. In addition, credit spread and benchmark interest rate variations could also reduce the fair value of these securities. Under these circumstances, the Group may have to impair these securities or may recognise losses realised upon their sale. Moreover, shareholders' equity and earnings may be affected by fair value revaluations of the securities held in the Group's investment portfolios.

- *Loan portfolio defaults and delinquencies.* The Group may suffer losses due to delinquencies or defaults on the loans included in its investment portfolio.

- *Defaults on debt investment*. The Group seeks to minimise the risks associated with these debt investments through diversification, credit analyses, enhancement of its credit rating systems, and attention to interest rate trends. However, the Group may be unable to identify and mitigate credit risks successfully. The issuers whose debt securities it holds may fail to pay or otherwise default on their obligations due to bankruptcy, a lack of liquidity, a downturn in the economy, operational failures or other reasons. Losses due to these defaults could reduce the Group's profitability.

- *Equity price declines.* The Group may suffer declines in the value of equity securities held in its investment portfolio as a result of conditions in certain capital markets. There has been significant volatility in the PRC stock markets during the second half of 2015, with the Shanghai Composite Index falling more than 30 per cent. since June 2015 and the PRC government taking unprecedented steps to support the markets. This volatility has impacted global markets, and in particular the Hong Kong stock market. Any further significant falls or increased volatility may further impact global capital markets, potentially making it more difficult for the Group to access financing.

- *Loss from investment in new asset classes.* CIRC has significantly expanded the scope of permitted investments for PRC insurance companies in recent years, and the Group may be permitted by CIRC to invest in additional new asset classes in the future. When making investments in these new asset classes, the Group may face new and heightened risks due in part to its limited experience in investing in such asset classes. The risk and liquidity profiles of these asset classes may be significantly different from those of the assets classes that it traditionally invest in, and investments in these and other new asset classes may increase the overall risk exposures of its investment portfolio. In particular, the Group seeks to explore and expand overseas investment channels, which may expose it to more international market risks as well as related regulatory, compliance, exchange rate and other risks.

- *Counterparty default.* The Group's counterparties could fail to discharge their obligations to it or the Group may be unable to secure the products or services of counterparties.

- *Fixed interest rate liabilities.* Declines in the value of the Group's equity and bond portfolios may result in the Group experiencing difficulties in meeting its liabilities at fixed interest rates under its life insurance policies, which could have an adverse impact on the Group's solvency position and require the Group to replenish its capital.

The Group is also highly affected by policies promoted by CIRC. Currently, CIRC is promoting the establishment of a market-oriented mechanism for premium rates, including reforms in respect of premium rates of life and health insurance products. Whilst premium rate marketisation increases overall product flexibility, the Group faces challenges such as increased operating costs and difficulties in matching the duration of the Group's assets to that of its liabilities when implementing such reforms. Increased operating costs and failure of the Groups' asset-liability matching strategies may have a material adverse impact on the Group's business, results of operations and financial condition.

The Group is also exposed to a number of international political, social and macroeconomic risks. For example, on 23 June 2016, the United Kingdom voted in a national referendum to withdraw from the European Union. The result of the referendum does not legally obligate the United Kingdom to exit the European Union, and it is unclear if or when the United Kingdom will formally serve notice to the European Council of its desire to withdraw, a process that is unprecedented in European Union history and one that could involve months or years of negotiation to draft and approve a withdrawal agreement in accordance with Article 50 of the Treaty on European Union. The possible exit of the United Kingdom (or any other country) from the European Union, the potential departure of Scotland, Wales or Northern Ireland from the United Kingdom, or prolonged periods of uncertainty relating to any of these possibilities, could result in significant macroeconomic deterioration, including, but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and the euro against other leading currencies), decreased GDP in the United Kingdom and a downgrade of the United Kingdom's sovereign credit rating. In addition, there are increasing concerns that these events could push the United Kingdom, the Eurozone and/or the United States into an economic recession, any of which, were they to occur, would further destabilise the global financial markets and could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

As a result of rising global economic and political uncertainty during 2016, including the stock market downturn in China and the rest of the world together with the expected slowdown in economic growth in China and other major global economies, there has been increased volatility in financial markets worldwide compared to 2015. In addition, central banks globally have introduced further monetary policy stimulus, including the use of negative interest rates and continued quantitative easing, which has placed further pressure on yields on fixed income products and investment returns. Although the Group actively manages its investment portfolio and takes a conservative approach towards its investments, there can be no assurance that market conditions will improve during the remainder of 2016.

Accordingly, it is likely that, like other PRC insurance companies, the performance of the Group for the period up to the date of this Offering Circular has been adversely affected, particularly due to lower investment income returns. As the Company is currently an unlisted company, it is only required to publicly disclose the results of its audited annual financial statements. Pursuant to the Terms and Conditions, the Company has undertaken to the Noteholders to disclose its audited financial report for the year ended 31 December 2016 within 150 days after 31 December 2016 and its semi-annual unaudited and unreviewed consolidated balance sheet, income statement, cash flow statement and statement of changes in equity in the future.

The Group's growth is dependent on its ability to attract, motivate and retain productive agents.

A substantial portion of the Group's business is conducted through its individual agents. Because of differences in productivity, a relatively small percentage of its individual agents is responsible for a disproportionately high percentage of its sales of individual products. If the Group is unable to retain and build on this core group of highly productive agents, its business could be materially and adversely affected.

On 6 January 2013, CIRC issued the Regulatory Rules on Insurance Sales Personnel (the "**Sales Personnel Rules**"), which became effective on 1 July 2013. Among other things, the Sales Personnel Rules provide that individual agents must have at least a college degree, instead of a junior high school degree as previously required by CIRC. While detailed rules implementing the Sales Personnel Rules have not been issued and it is still unclear how such rules will be implemented by CIRC at the national level, CIRC has authorized its local branches to set the education degree requirements for individual agents by considering local conditions. Presently, the CIRC's local branches maintain different requirements on education degrees of the individual agents who practice in their respective jurisdictions. For example, the CIRC's Beijing branch has stipulated that since 1 January 2015, any new qualified individual agent that sells insurance products in Beijing must have at least a college degree. It is likely that the market competition for qualified agents will be increased further if more CIRC branches were to impose the requirement of a college degree or above on new qualified individual agents or if CIRC were to strictly enforce such rules at the national level. If this were the case, the Group would be expected to encounter difficulty attracting and retaining productive agents in the future.

Increasing competition for agents from other insurance companies and business institutions and increasing labour costs in China may also force the Group to increase the compensation of its agents and sales representatives, which would increase its operating costs and reduce the Group's profitability. While the Group has undertaken, and expects to continue to undertake, various initiatives and measures to retain and attract agents, there is no assurance that these initiatives will succeed in attracting new agents or retaining existing agents. Sales and persistency in the Group's businesses, as well as its financial condition and results of operations, could be materially and adversely affected if the Group is unsuccessful in attracting and retaining these individual agents.

If the Group is unsuccessful in attracting and retaining agency leaders and individual agents, its ability to effectively market and distribute its products may be negatively affected, which could have a material adverse effect on its business, financial condition and results of operations.

The Company may not at times have the required number of independent non-executive directors under PRC regulations.

The Company is a regulated entity and is subject to the laws, regulations and government policies governing the insurance industry in China. For example, there is a requirement under the Interim Measures for the Administration of Insurance Companies' Independent Directors 《保險公司獨立董事管理暫行辦

法》which stipulates that independent non-executive directors of an insurance company with a total asset of more than RMB5 billion should account for more than one-third of the company's board of directors. From time to time, there may be personnel change and/or adjustments to the roles of the Group's senior management. Due to the time required for the hiring process and the limited supply of experienced and qualified personnel in the insurance market in the PRC, the Group may at times not be in compliance of such a requirement and the CIRC may make a request to the Company to rectify immediately.

The Group is exposed to changes in interest rates.

Changes in interest rates may affect the Group's profitability.

The Group's profitability is affected by changes in interest rates. Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, trade surpluses and deficits, regulatory requirements and other factors beyond its control. During 2012, PBOC reduced the one-year benchmark deposit rate twice, from 3.50% to 3.00%. In November 2014, the interest rate on one-year term deposits was reduced from 3.00% to 2.75%, and in 2015, the interest rate was reduced five times from 2.75% to 1.50%. The Chinese government may further reduce interest rates, which may reduce the income the Group realises from its investments, affecting its profitability.

In addition, as instruments in the Group's investment portfolio mature, the Group might have to reinvest the funds it receives in investments bearing lower interest rates. However, if interest rates were to increase in the future, surrenders and withdrawals of insurance and annuity policies and contracts may increase as policy holders may seek other investments with higher perceived returns. This process may result in cash outflows requiring that the Group sells investment assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, which may result in realised investment losses.

For many of the Group's long-term life insurance and annuity products, it is obligated to pay a minimum interest or crediting rate to its policyholders or annuitants, which is established when the product is priced. These products expose the Group to the risk that changes in interest rates may reduce its "spread", or the difference between the rates that the Group is required to pay under the policies and the rate of return it is able to earn on its investments intended to support its insurance obligations.

In August 2013, February 2015 and October 2015, CIRC published regulations that removed the 2.5% cap on the guaranteed rate which life insurance companies could commit to pay on traditional non-participating insurance policies, participating life insurance policies and universal life insurance policies. On 25 September 2015, CIRC published the Circular on Matters relating to Promoting the Policy Reform of Premium Rates for Participating Personal Insurance (Bao Jian Fa [2015] No. 93) (the "**CIRC Circular**") which took effect on 1 October 2015. The CIRC Circular removes the upper limit of the premium rate of personal insurance by bonus share. Further, effective from 1 October 2015, the CIRC Circular provides that (1) an insurance company shall now have the right to decide the assumed interest rate of personal insurance by bonus share at its sole discretion under the principle of prudence, which requires the valuation interest rate of the unearned premium reserve of the personal insurance by bonus share to be the lesser of the pricing interest rate and 3.0%; and (2) the developed personal insurance by bonus share should be reported to CIRC for reference when the assumed interest rate is not higher than 3.5%, and be examined and approved by CIRC if higher than 3.5%. In May 2015, the Regulations on Deposit Insurance (《存款保險條例》) was implemented and commercial banks, and other banking financial institutions absorbing deposits established within the territory of the PRC shall pay insurance premiums to the deposit insurance fund management institution to form deposit insurance funds, and the deposit insurance fund management institution pays back the insured deposits to depositors and takes necessary measures to maintain the safety of both the deposits and the deposit insurance funds. The Group has not yet determined the impact of the new regulations, if any, on its business as a whole in the long term, although it is possible that it could increase the Group's costs and affect the profitability of its products. The new regulations might lead to a material adverse effect on the Group's business, results of operations or financial condition.

Due to the general lack of long-term fixed income securities in the Chinese capital markets, the Group is unable to match closely the duration of its assets and liabilities, which increases its exposure to interest rate risk.

Like other insurance companies, the Group seeks to manage interest rate risk through managing, to the extent possible, the average duration of its investment assets and the insurance policy liabilities they support. Matching the duration of the Group's assets to their related liabilities reduces its exposure to changes in interest rates, because the effect of the changes largely will be offset against each other. However, the limited availability of long-duration investment assets in the markets in which the Group invests, has resulted in, and in the future may result in, the duration of its assets being shorter than that of its liabilities, particularly with respect to liabilities with durations of more than 20 years. Furthermore, the Chinese financial markets currently do not provide adequate financial derivative products for the Group to hedge its interest rate risk. The Group believes that with the development of the Chinese capital markets and the gradual easing of the investment restrictions imposed on insurance companies in China, its ability to match the duration of its assets to that of its liabilities will improve. The Group also seeks to manage the risk of duration mismatch by focusing on product offerings whose maturity profiles are in line with the duration of investments available to the Group in the prevailing investment environment. However, until the Group is able to match more closely the duration of its assets and liabilities, it will continue to be exposed to interest rate changes, which may materially and adversely affect its business and earnings.

The termination of, or any adverse change to, the Group's arrangements with the Group's bancassurance partners may have a material adverse effect on the Group's business, results of operations and financial condition.

The Group partly relies on arrangements with the PRC's large commercial banks, joint stock commercial banks and regional commercial banks such as Postal Savings Bank of China, China Construction Bank and Industrial and Commercial Bank of China for the sales of the Group's bancassurance products through their respective networks of bank outlets.

The Group usually enters into cooperation agreements with these commercial banks, but there is no assurance that these agreements will be renewed on acceptable terms, or at all, upon their expiration. In addition, although the Group's cooperation agreements with the headquarters of these commercial banks allow the Group to enter into bancassurance business relationships with their respective local branches and outlets, each such branch or outlet of a commercial bank has discretion over whether to sell the Group's bancassurance products. There is no assurance that the Group will be able to maintain or establish bancassurance business relationships with all the outlets of the aforementioned commercial banks.

The commercial banks that distribute the Group's bancassurance products are subject to banking supervision and regulation in the PRC, while the Group is subject to insurance supervision and regulation in the PRC. Regulatory changes with respect to the bancassurance business and distribution of bancassurance products may materially and adversely affect the Group's relationships and arrangements with these banks or restrict the Group's ability to further expand its bancassurance arrangements with commercial banks or limit and/or constrain the ability of the banks and the Group to sell insurance products through bank branches.

The termination of, disruption to, or any other adverse change to, the Group's relationships with the banks with which the Group has cooperation agreements, or the formation of any exclusive partnerships between these banks and any of the Group's competitors could significantly reduce the sales of the Group's products and the Group's growth opportunities. Any of these developments could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's expansion into new business areas and new distribution channels may subject it to additional risks and uncertainties.

From time to time, the Group may undertake investments, acquire certain businesses, assets and technologies, as well as develop new business lines, products and distribution channels, any of which may not be successful. These investments, acquisitions and business initiatives could require the Group's management to develop expertise in new areas, manage new business relationships, attract new types of customers, and divert their attention and resources. These investments, acquisitions and business initiatives may also expose the Group to potential risks, including risks associated with the integration of new business lines, operations and personnel, the diversion of resources from its existing businesses and technologies, the potential loss of, or harm to, relationships with employees and customers, as well as other unforeseen or hidden liabilities. The expansion of its businesses may also put pressure on its efforts to centralise its management effectively and develop its information technology systems. There is no assurance that the Group will succeed in any of these initiatives within the expected timeframes or at all.

The Group may need additional capital in the future, and there is no assurance that it will be able to obtain such capital on acceptable terms or at all.

The Group may require additional capital in the future in order for it to meet regulatory capital adequacy requirements relative to premiums received on loans made, remain competitive, grow its existing business, enter new businesses, pay operating expenses, conduct investment activities, meet its liquidity needs, expand its base of operations and offer new products and services. To the extent the Group's existing sources of capital are not sufficient to satisfy its needs, it may have to seek external sources. The Group's ability to obtain additional capital from external sources in the future is subject to a variety of uncertainties, including:

- its future financial condition, results of operations and cash flows;
- its ability to obtain the necessary regulatory approvals on a timely basis;
- any tightening of credit markets and general market conditions for debt and equity raising activities by insurance companies and other financial institutions; and
- economic, political and social conditions in the geographical markets in which it operates and elsewhere.

However, there is no assurance that the Group will be able to obtain additional capital in a timely manner or on acceptable terms, if at all. Future debt financing could include terms that restrict the Group's financial flexibility or restrict its ability to manage its business freely.

If the Group is not able to issue bonds in the future on favourable terms, the Group may need to explore other avenues of capital raising.

The Group's business, results of operations and financial condition could be adversely affected if it is unable to successfully manage its growth.

The Group's strategic objective is to achieve sustained and balanced growth across its three main segments, namely the life insurance, health insurance and accident insurance segments. The Group's growth in the future may place significant demands on its managerial, operational and capital resources. The expansion of the Group's business activities exposes it to various challenges, including, but not limited to:

- continuing to expand and train actuarial staff and to enhance actuarial capabilities;
- continuing to expand, train and retain the life insurance agency force, while maintaining costs and productivity at optimal levels;
- continuing to expand, train and retain investment professionals who have the expertise and experience to invest in existing and new asset areas, as the scope of regulatory permissible asset classes for investments broadens and the scale of the asset management operations increases;
- continuing to develop adequate underwriting and claims settlement capabilities and skills;
- meeting higher requirements for cost controls and meeting the demand for a larger capital base, as well as satisfying an ongoing need to meet the minimum solvency margin requirements stipulated by CIRC;
- strengthening and expanding its risk management and information technology systems and to effectively manage the risks associated with existing and new lines of insurance products and services, increased marketing and sale activities, as well as risks associated with the investment portfolio; and
- increasing marketing and sales activities.

There is no assurance that the Group will manage its growth successfully. In addition, as part of the Group's overall strategy, it may acquire certain businesses, assets and technologies, as well as develop new products and distribution channels that are complementary to its business. Such transactions and initiatives could require the Group's management to develop expertise in new areas, manage new business relationships and attract new types of customers. Furthermore, such transactions and initiatives may require significant attention from the Group's management, and the diversion of its management's attention and resources could have a material adverse effect on its ability to manage its business. The Group may also experience difficulties integrating any investments, acquisitions, distribution arrangements and/or partnerships into its existing business and operations. There is no assurance that the Group will be able to successfully implement these initiatives or that it will be able to identify successful initiatives in the future.

The interests of the Group's shareholders may not be aligned with the interests of the Noteholders.

Zhongfa Group is currently the key controlling shareholder of the Company and beneficially owns 46.056% of the Company's shares. As a result, Zhongfa Group has considerable influence over important corporate matters of the Company. Through its shareholding, Zhongfa Group has board representation and may influence the direction and strategy of the Company. Zhongfa Group and the Company are separate and independent business entities with different business focuses and interests. The interests of Zhongfa Group may not always align with those of the creditors of the Company.

As at the date of this Offering Circular, some shareholders of the Company (including Zhongfa Group) had pledged part of their shares of the Company to third party lenders for financing purposes in the ordinary course of their respective businesses. The shareholders of the Company may from time to time create further pledges or dispose of their shareholding in the Company. Such actions do not require any consent from the Company and the Notes do not contain any covenant which may restrict the shareholders of the Company from disposing any of their shareholding. However, an enforcement of any pledges from third party lenders in the event of a breach or default by a shareholder may result in a decrease of its shareholding of the Company. In the event Zhongfa Group's shareholding falls below 30%, no Events of Default (as defined in the Terms and Conditions) will be triggered and the Noteholders may only require the Company to redeem the Notes at 101% of the principal amount together with accrued interest subject to compliance with the requirements under the Notes.

The Group will be exposed to various risks as the Group expands its range of products and services.

The Group has expanded and will continue to expand its products and services to customers. The Group's expansion of the range of its products and services has and will expose it to new and potentially increasingly challenging risks, including the following:

- its experience and expertise in managing and commercialising the new products and services;
- its ability to recruit additional qualified staff;
- its ability to provide satisfactory customer service such as providing sufficient product and service information and handling of customer complaints;
- acceptance of its new products by customers;
- its ability to establish an effective management team or to enhance its risk management systems and information technology system to support a broader range of products and services;
- its ability to obtain or maintain regulatory approval for its new products and services;
- its ability to identify all potential risks associated with its products and services; and
- actions of its competitors, or developments in the insurance, banking and investment management industries, which may render the Group's new products and services obsolete or uneconomical.

If the Group is unable to achieve the intended results with respect to its new products and services, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

Agent and employee misconduct is difficult to detect and deter and could harm the Group's reputation or lead to regulatory sanctions or litigation costs.

Agent or employee misconduct could result in violations of law (including anti-corruption law), regulatory sanctions, litigation or serious reputational or financial harm. Misconduct could include:

- engaging in misrepresentation or fraudulent activities when marketing or selling insurance policies or annuity contracts to customers;
- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- improperly using or disclosing confidential information;
- misappropriation of funds; or
- otherwise not complying with laws or the Group's internal control policies or procedures.

The Group cannot always deter agent or employee misconduct, and the precautions the Group takes to prevent and detect these activities may not be effective in all cases. The Group has experienced agent and employee misconduct that has resulted in litigation and administrative actions against the Group and these agents and employees, and in some cases criminal proceedings and convictions against the agent or employee in question. None of these actions has resulted in material losses, damages, fines or other sanctions against the Group. However, agent or employee misconduct could create a negative public or client perception of the Group's operations or its brand, which may in turn harm customer and market confidence in the Group and may lead to a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group may incur foreign exchange and other losses for its investments denominated in foreign currencies.

A portion of the Group's investment assets are held in foreign currencies. The Group is authorised by CIRC to invest its assets held in foreign currencies in the overseas financial markets as permitted by CIRC. Thus, the Group's investment results may be subject to foreign exchange risks, as well as the volatility and various other factors of overseas capital markets, including, among others, increase in interest rates. Future movements in the exchange rate of RMB against the U.S. dollar and other foreign currencies may adversely affect its business, results of operations and financial condition.

Under China's existing foreign exchange control regulations, the conversion of foreign currencies into the Renminbi requires approval by relevant government agencies. If the Group does not obtain such approval, its ability to manage its foreign exchange risks may be limited. There are few financial products available in China to hedge foreign exchange risks, which substantially limits the Group's ability to manage its foreign exchange risks.

Differences in future actual operating results from the assumptions used in pricing and establishing reserves for its insurance and annuity products may materially affect the Group's earnings.

The Group's earnings depend significantly upon the extent to which its actual operating results are consistent with the relevant assumptions used in setting the prices for its products and establishing the reserves in its financial statements. The Group's assumptions include those for discount rate, mortality, morbidity, expenses and lapse rate, as well as certain macro-economic factors. To the extent that trends in actual experiences are less favourable than its underlying assumptions used in establishing these reserves, and these trends are expected to continue in the future, the Group could be required to increase its reserves. Any such increase could have a material adverse effect on its profitability and, if significant, the Group's financial condition.

The Group establishes the reserves for obligations of future policies based on the expected payout of benefits, calculated through the use of assumptions for discount rate, mortality, morbidity, expenses and lapse rate, as well as certain macro-economic factors. These assumptions are based on the Group's previous experience and data published by other Chinese life insurers, as well as judgments made by the management. These assumptions may deviate from the Group's actual experience, and, as a result, the

Group cannot determine precisely the amounts which it will ultimately pay to settle these reserves or when these payments will need to be made. These amounts may vary from the estimated amounts, particularly when those payments may not occur until well into the future. The discount rate assumption is affected by certain factors, such as further macro-economic, monetary and exchange rate policies, capital market results and availability of investment channels to invest its insurance funds. The Group reviews and updates the assumptions used to evaluate the reserves periodically, and establishes the reserves for insurance policies based on such assumptions. Standards with respect to the calculation and presentation of reserves are still evolving, and any changes in the future may also impact its earnings and presentations of financial statements. The Group records changes in its reserves in the period the reserves are established or re-estimated. If the reserves originally established for future policy benefits prove inadequate, the Group must increase its reserves established for future policy benefits, which may have a material effect on its earnings and its financial condition.

The Group has data available for a shorter period of time than some other insurance companies operating in China and some other countries and, as a result, less claims experience on which to base some of the assumptions used in establishing its reserves. There is a possibility that its actual claims could vary materially from the assumptions used.

Customer preferences for insurance, investments and pension products as well as wealth management solutions may change and the Group may not respond appropriately or in time to sustain the Group's business or its market share in the geographical markets in which the Group operates.

The insurance, investment, pension, banking and wealth management markets as well as the preferences of the Group's customers are constantly evolving. As a result, the Group must continually respond to changes in these markets and customer preferences to remain competitive, grow the Group's business and maintain market share in the geographical markets in which the Group operates. The Group faces many risks when introducing new products. The Group's new products may fail to achieve market acceptance, which could harm the Group's business.

The Group's new products may also be rendered obsolete or uneconomical by competition or developments in the insurance, investment, pension, banking and wealth management industries. Furthermore, even if the Group's current and anticipated product offerings are responsive to changing market demand, the Group may be unable to commercialise them. Moreover, potential products may fail to receive necessary regulatory approvals, be difficult to market on a large scale, be uneconomical to introduce, fail to achieve market acceptance, or be precluded from commercialisation by proprietary rights of third parties. Any inability to commercialise the Group's products would materially impair the viability of the Group's business. Accordingly, the Group's future success will depend on the Group's ability to adapt to changing customer preferences, industry standards and new product offerings and services. Any of these changes may require the Group to re-evaluate the Group's business model and adopt significant changes to the Group's strategies and business plan. Any inability to adapt to these changes would have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's business, financial condition and prospects could be adversely affected if its cross-selling activities are not successful.

The Group intends to continue expanding its business with its existing customers and increase its revenues by expanding its cross-selling efforts. However, there is no assurance that its cross-selling activities will be successful. In particular, the applicable PRC regulatory framework allows for the regulators to oversee and review the Group's cross-selling activities, and licencing is required for certain cross-selling activities. If the Group's cross-selling activities are deemed to have violated any cross-selling regulations or any other laws or regulations in the PRC, its cross-selling activities may be adversely affected and the Group may be subject to relevant legal liabilities. These may in turn have adverse effects on the Group's reputation, business, financial condition and prospects.

The Group's risk management and internal reporting systems, policies and procedures may leave it exposed to unidentified or unanticipated risks, which could materially and adversely affect its businesses or result in losses.

The Group's policies and procedures to identify, monitor and manage risks may not be fully effective. Many of the Group's methods of managing risk and exposures are based upon its use of observed historical market behaviour or statistics based on historical models. As a result, these methods may not predict future exposures, which could be significantly greater than what the historical measures indicate. Other risk management methods depend upon the evaluation of information regarding markets, customers or other matters that is publicly available or otherwise accessible to the Group, which may not always be accurate, complete, up-to-date or properly evaluated. The Group's information technology system may not be adequate in collecting, analysing and processing data, and it may not have enough capacity to handle the rapid growth of the Group's businesses. In addition, a significant portion of business information needs to be centralised from the Group's many branch offices. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective. Failure or the ineffectiveness of these systems could materially and adversely affect the Group's business or result in losses.

The Group's risk management and internal controls also depend on the effective implementation by the Group's employees. Due to the scale of the Group's operations and its rapid growth, the Group's large and expanding number of agents, professional personnel and the number of the Group's branch entities in different locations, there is no assurance that such implementation will not involve any human errors or mistakes, which may materially and adversely affect the Group's business, results of operations and financial condition.

The Group is likely to offer a broader and more diverse range of insurance and investment products in the future as the insurance market in China continues to develop. At the same time, the Group anticipates that the relaxing of regulatory restraints will result in it being able to invest in a significantly broader range of asset classes. The combination of these factors will require the Group to continue to enhance its risk management capabilities and is likely to increase the importance of the Group's risk management policies and procedures to its results of operations and financial condition. If the Group fails to adapt its risk management policies and procedures to its changing business, the Group's business, results of operations and financial condition could be materially and adversely affected.

The Group may be unable to utilise reinsurance successfully.

The Group's ability to obtain external reinsurance on a timely basis and at a reasonable cost is subject to a number of factors, many of which are beyond its control. In particular, certain risks that the Group is subject to, such as epidemics, are difficult to reinsure. While reinsurance agreements generally bind the reinsurer for the life of the business reinsured at generally fixed pricing, market conditions beyond the Group's control determine the availability and cost of the reinsurance protection for new business. In certain circumstances, the price of reinsurance for business already reinsured may also increase. If the Group is unable to renew any expiring external coverage or obtain acceptable new external reinsurance coverage, its net risk exposure could increase or, if it is unwilling to bear an increase in net risk exposure, its overall underwriting capacity and the amount of risk it is able to underwrite would decrease. Any decrease in the amount of reinsurance will increase the Group's risk of loss and any increase in the cost of reinsurance will, absent an increase in the amount of reinsurance, reduce the Group's earnings. To the extent that the Group is unable to utilise external reinsurance successfully, its business, financial condition and results of operations may be materially and adversely affected.

In addition, although a reinsurer would be liable to the Group for the risk transferred pursuant to a reinsurance arrangement, such an arrangement does not discharge the Group's primary liability to its policyholders. As a result, the Group is exposed to credit risk with respect to reinsurers in all lines of its insurance business. In particular, a default by one or more of the Group's reinsurers under its reinsurance arrangements would increase the financial losses arising out of a risk it has insured, which would reduce its profitability and may have a material adverse effect on its liquidity position. There is no assurance that the Group's reinsurers will always be able to meet their obligations under the reinsurance arrangements on a timely basis, if at all. In addition, the Group receives payments from its reinsurers through brokers under a number of reinsurance agreements. As a result, the Group is consequently subject to the risk of non-payment from these brokers.

Catastrophic events, which are unpredictable by nature, could materially and adversely affect the Group's profitability and financial condition.

The Group's life insurance businesses expose it to risks arising out of catastrophic events, which are unpredictable by nature. Catastrophes can be caused by various natural hazards, including hurricanes, typhoons, floods, earthquakes, severe weather, fires and explosions. Catastrophes can also be man-made, such as terrorist attacks, wars and industrial or engineering accidents. In addition, a health epidemic or pandemic such as avian influenza, Severe Acute Respiratory Syndrome, Ebola virus disease, Middle East Respiratory Syndrome coronavirus, H5N1 avian flu, the human swine flu (also known as Influenza A (H1N1)), or H7N9 avian flu can adversely affect the Group's health and life insurance businesses. Catastrophes could also result in losses in the Group's investment portfolios, due to, among other things, the failure of its counterparties to perform or significant volatility or disruption in financial markets, and could in turn adversely affect its profitability.

Over the last several years, changing climate conditions have added to the unpredictability and frequency of natural disasters in certain parts of the world, including the PRC, and have created additional uncertainties as to future trends and exposures. It is possible that both the frequency and severity of natural disasters may increase in the future.

The frequency and severity of catastrophes are inherently unpredictable. There is no assurance that the reserves established by the Group will be sufficient to pay for all related claims. Although the Group carries some reinsurance to reduce its catastrophe loss exposures, due to limitations in the underwriting capacity and terms and conditions of the reinsurance market, as well as difficulties in assessing the Group's exposures to catastrophes, this reinsurance may not be sufficient to protect the Group adequately against losses. As a result, one or more catastrophic events could materially reduce the Group's profits and cash flows and harm its financial condition.

If the Group cannot obtain capital in a timely manner to satisfy the regulatory requirements regarding solvency margin, the authorities may impose regulatory sanctions on the Group, which may have a material adverse effect on its business, results of operations and financial operations.

The Group is subject to the CIRC regulations regarding the maintenance of solvency margin. If the Group's solvency margin does not satisfy the relevant requirements, CIRC may impose a range of regulatory sanctions depending on the degree in deficiency in its solvency margin. The solvency adequacy ratio is affected by such factors as the size of capital, distributions of dividends, business growth and profitability. Changes in the value of the Group's investment portfolio and the scope of its subsidiaries could also affect the solvency margin ratio.

Based on their solvency margins, CIRC classifies insurance companies into three categories:

- Inadequate Solvency: insurance companies with solvency margin ratio of less than 100%;
- Adequate Solvency Level I: insurance companies with solvency margin ratio of between 100% and 150%; and
- Adequate Solvency Level II: insurance companies with solvency margin ratio of higher than 150%.

For an insurance company in the category of Inadequate Solvency, CIRC may take one or more of the following supervisory measures: (i) order the insurance company to increase its capital or restrict its distribution of dividends; (ii) limit the compensation and in-service expenditure of its directors and senior management; (iii) impose restrictions on its commercial advertising; (iv) restrict its establishment of new branches, limit its business scope, or order it to cease starting new business and to transfer or cede its business; (v) order an auction of the insurance company's assets or restrict it from purchasing fixed assets; (vi) restrict the usage of its insurance funds; (vii) change the person in charge and relevant management personnel; (viii) take over the management of the insurance company; and (ix) enact other supervisory measures as deemed necessary by the CIRC. For an insurance company in the category of Adequate Solvency Level I or Adequate Solvency Level II, if there are material risks in its solvency margin, CIRC may also take necessary supervisory measures.

In 2013, the Company's solvency adequacy ratio was 124.83%, CIRC imposed a suspension on establishment of new branches as a supervisory measure. As at 31 December 2015, the Company had a solvency adequacy ratio of 172%, and accordingly CIRC subsequently removed the suspension in July 2016. While the solvency ratios are currently above the regulatory requirement, if the Group continues to grow rapidly in the future, the Group may need additional capital to improve its solvency margin if its profits are not sufficient to support its business growth.

In addition, the regulatory regime governing solvency margin is subject to change, which may lead to stricter requirements on the Group's capital base. There is no assurance that the Group will be able to obtain additional capital in a timely manner or on acceptable terms, or at all. The Group's failure to meet the solvency margin requirements may have a material adverse effect on its business, results of operations, financial condition or prospects.

In February 2015, CIRC issued the major technical standards for a new set of solvency regulations, the "China Risk Oriented Solvency System", or "C-ROSS", with the aim of replacing the existing solvency requirements on Chinese insurance companies. C-ROSS adopts the internationally accepted "three-pillar" regulatory system which includes quantitative capital requirements, qualitative regulatory requirements and market discipline mechanisms while its regulatory concept, models, methods and parameters are based on Chinese insurance market conditions. As C-ROSS comprises a new set of regulations and is therefore untested, interpretation and enforcement involves uncertainties. By imposing rigorous requirements on key aspects as product structure, asset allocation, risk management and information disclosure, C-ROSS also poses greater challenges to the management of the Group. The regulatory provisions relating to C-ROSS promulgated by CIRC came into effect on 1 January 2016. As the regulatory provisions of C-ROSS were implemented this year, the Group is not yet able to assess its full impact on the PRC insurance industry and there is no assurance that this will not have an adverse effect on the Group's business, results of operations, financial condition or prospects.

Current or future litigation, arbitration and regulatory proceedings could result in financial losses or harm the Group's businesses.

The Group has ongoing litigation and arbitration proceedings involving its insurance operations. These litigation and arbitration proceedings have in the past resulted in payments of insurance benefits, damage awards, or settlements.

In addition, CIRC, as well as other PRC governmental agencies, including tax, commerce and industrial administration and audit bureaus, from time to time make inquiries and conduct examinations or investigations concerning the Group's compliance with PRC laws and regulations. These regulatory authorities may impose penalties and/or sanctions on the Group for non-compliance. In the past, the Group has been subject to administrative proceedings and penalties as a result of violation of PRC laws and regulations. For example, in June 2015, CIRC Xinjiang Branch imposed an administrative penalty of RMB100,000 on the Company's sub-branch in Hami District due to false advertising.

None of the aforementioned administrative penalties has resulted in material losses, damages and sanctions against the Group. Also, while the Group cannot predict the outcome of any pending or future litigation, arbitration, examination or investigation, it does not believe that any pending legal matter will have a material adverse effect on its business, financial condition or results of operations. However, responding to these litigation arbitration, examination or investigation is time-consuming and expensive and can divert the time and effort of its senior management. There is no reassurance that any future litigation, arbitration or regulatory proceeding of the Group will not have an adverse outcome, which could have a material adverse effect on its operating results or cash flows.

The embedded value information the Group presents in this Offering Circular is based on several assumptions and may vary significantly as those assumptions are changed.

In order to provide investors with an additional tool to understand the Group's economic value and business results, the Group has disclosed information regarding its embedded value in this Offering Circular. The embedded value is an estimate of the economic value (excluding any value attributed to future new business) of the Group and is based on a discounted cash flow valuation determined using commonly applied actuarial methodologies. Standards with respect to the calculation of embedded value are still evolving, however, and there is no universal standard which defines the form, calculation method or presentation format of the embedded value of an insurance company. Assumptions used in embedded value calculations include discount rate, mortality, morbidity, expenses and surrender rate, as well as certain macro-economic factors, many of which are beyond the Group's control. These assumptions may deviate significantly from its actual experience and therefore the embedded value is consequently not inherently predictive. Furthermore, since the Group's actual market value is determined by investors based on a variety of information available to them, the embedded value should not be construed to be a direct reflection of the Group's actual market value and performance. The inclusion of the embedded value in this Offering Circular should not be regarded as a representation by the Group, the Joint Lead Managers or any other person on the Group's future profitability. There are technical complexities involved in embedded value calculations and embedded value estimates may vary materially as key assumptions are changed. Accordingly, investors should use special care when interpreting embedded value results and should not place undue reliance on them. See also "*Forward-Looking Statements*".

A computer system failure, cyber-attacks or other security breaches may disrupt the Group's business, damage its reputation and adversely affect the Group's business, results of operations and financial condition.

The Group uses computer systems to store, retrieve, evaluate and utilise customer and company data and information. Its business is highly dependent on its ability to access these systems to perform necessary business functions such as developing and selling insurance products, providing customer support, policy management, filing and paying claims, managing its investment portfolios and producing financial statements. Although the Group has designed and implemented a variety of security measures and backup plans to prevent or limit the effect of failure, its computer systems may be vulnerable to disruptions as a result of natural disasters, man-made disasters, criminal activities, pandemics or other events beyond its control. In addition, the Group's computer systems may be subject to computer viruses or other malicious codes, unauthorised access, cyber-attacks or other computer-related penetrations. The failure of the Group's computer systems for any reason could disrupt its operations and may adversely affect its business, results of operations and financial condition. Although the Group has not experienced such a computer system failure or security breach in the past, there is no reassurance that it will not encounter a failure or security breach in the future.

The Group retains confidential information on its computer systems, including customer information and proprietary business information. In addition, for business purposes, from time to time customer information is transmitted between the Group's computer systems and those of third parties, such as third-party agents selling insurance products for it. Any compromise of the security or other errors of the Group's computer systems or those arising during the information transmission process that result in the disclosure of personally identifiable customer information could damage the Group's reputation, expose the Group to litigation, increase regulatory scrutiny and require it to incur significant technical, legal and other expenses.

The Group may be subject to liability and regulatory action if it is unable to protect personal and other confidential information.

Various laws, ordinances, rules and regulations place obligations on the Group to protect the personal data and information of the customers of its insurance business. The relevant authorities may issue sanctions or orders against the Group if the Group fails to protect the personal information of its customers, and the Group may have to provide compensation for economic loss and emotional distress arising from a failure to protect personal information in accordance with the relevant laws and regulations. In addition, incidents of mishandling personal information or failure to otherwise protect confidential information could create a negative public or client perception of the Group's operations or its brand, which may in turn harm customer and market confidence in the Group and materially and adversely affect the Group's business, results of operations and financial condition.

The consolidated financial statements of the Issuer have been prepared and presented in accordance with PRC GAAP, which are different from IFRS in certain respects.

The consolidated financial statements of the Issuer included in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. For a summary of the material differences, see "*Material Differences between PRC Accounting Standards and International Financial Reporting Standards*".

Each investor should consult its own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

Public information and corporate disclosure of the Group may be limited.

As of the date of this Offering Circular, the Group is not listed on any stock exchange. Accordingly, there may be less publicly available information and corporate disclosure such as interim financial information about the Group than is regularly made available by public companies.

Risks relating to the PRC life insurance industry

The rate of growth of the PRC life insurance market may not be sustainable or as high as the Group anticipated.

With the continued growth in the PRC economy, the reform of the social welfare system in China and the gradual formation of favourable demographic patterns in China, the Group expects that the PRC life insurance market will continue to expand and its insurance penetration and insurance density will continue to rise. However, the Group's judgments may not be consistent with actual developments. In addition, the PRC life insurance industry may be affected by systemic risks (including risks related to macroeconomic conditions and financial system stability). Consequently, the growth and development of the PRC life insurance industry may not be sustainable, which could in turn have a material adverse effect on its business, results of operations, financial condition and prospects.

Competition in the Chinese insurance industry is expected to increase, which may materially and adversely affect the growth of the Group's business.

The Group faces competitive pressures from both domestic and foreign-invested life insurance companies operating in China, as well as from property and casualty insurance companies, which may compete with its accident and short-term health insurance businesses, and other financial institutions that sell other financial investment products in competition with the ones the Group sells. In addition, the establishment of other professional health insurance companies and pension annuities companies may also lead to greater competition in the health insurance business and commercial pension insurance business. If the Group is not able to adapt to these increasingly competitive pressures in the future, its growth rate may decline, which could materially and adversely affect its earnings.

Competition among domestic life insurance companies is increasing.

The China insurance market is very competitive. Major Chinese insurance companies have operated in the Chinese insurance market for more than ten years, and have established well-recognised brand names. The Group also faces competition from insurance companies owned or controlled by commercial banks. The largest Chinese state-owned commercial banks have set up their own life insurance companies. These insurance companies are able to benefit from their holding relationships with these commercial banks to develop bancassurance as their main distribution channels. In addition, the Group also faces competition from smaller insurance companies, which may develop strong positions in various regions in which the Group operates, and new entrants to the group life insurance market, including professional pension companies that are being established pursuant to a set of regulations promulgated by the Ministry of Human Resources and Social Security of the PRC, and new entrants to the health insurance industry, including newly approved and established professional health insurance companies, following the adoption by the Chinese government of policies that encourage the development of health insurance and improved health care in China. The Group's competitiveness depends on a number of factors, including its:

- brand name and reputation;
- product mix and features;
- scope of distribution and cooperative arrangements;
- quality of service;
- risk management and internal controls;
- pricing techniques and prices;

- investment performance and perceived financial strength;
- ability to innovate; and
- claims settlement ability.

A decline in the Group's competitive position as to one or more of these factors may materially and adversely affect its business, results of operations, financial condition and prospects.

The Group is likely to face increasing competition from property and casualty insurance companies, financial services providers and other companies offering products that compete with its own.

In addition to competition from life insurance companies, the Group faces competition from other companies that may offer products that compete with its own, including:

- *Property and casualty companies.* Beginning on 1 January 2003, property and casualty insurance companies have been permitted to sell accident and short-term health insurance products, but only with regulatory approval. The Group believes property and casualty insurers have the competitive advantage of being able to bundle, or cross-sell, accident and short-term health products with the other non-life insurance products that they are currently selling to their existing and potential customers. The Group believes this will lead to greater competition in the accident and health insurance sectors, especially for the group accident and short-term health insurance products it offers. In 11 February 2015, the Group established Union P&C. See "*Description of the Group – Property and Casualty Insurance Business*".

- *Mutual fund companies, commercial banks and other financial services providers.* The Group faces increasing competition from other financial services providers, primarily licensed mutual fund companies, commercial banks providing personal banking services and operating business of various financial products, trust companies and securities brokerage firms licensed to manage separate accounts. Recent changes in Chinese investment regulations relaxing rules on the formation of mutual funds and sales of securities have led to greater availability and variety of financial investment products. For example, online investment funds such as Yu'e Bao ("餘額寶") recently launched online financial investment products. Although the Group is currently of the view that these online financial products are not in direct competition with the Group's products due to their lesser rate of return, shorter product cycle and high liquidity, these products may be attractive to customers due to its flexibility and thereby adversely affect the sale of some products the Group offers, including participating life insurance policies and annuities.

All of its institutional insurance agencies and brokers are required to obtain permits and be registered. If a substantial number of the Group's institutional insurance agencies and brokers fail to meet these qualification and registration requirements or this failure results in policyholders cancelling their policies, its business may be materially and adversely affected.

Institutional insurance agents and insurance brokers are required under the PRC insurance law to register with the administration of industry and commerce, and obtain business licenses with the permits issued by CIRC. It also requires non-dedicated institutional insurance agencies to obtain registrations with the administration of industry and commerce with the permits issued by CIRC. There is no assurance that all of the Group's institutional agents would obtain such licenses. The enforcement of this requirement could adversely affect the composition and effectiveness of the Group's distribution system, which could have a material adverse effect on its business, results of operations and financial condition.

Further development of regulations in China may impose additional costs and restrictions on the Group's activities.

The Group operates in a highly regulated industry. CIRC supervises and administers the insurance industry in China. In exercising its authority, it is given certain discretion to administer the law. China's insurance regulatory regime is undergoing significant changes toward a more transparent regulatory process and a convergent movement toward international standards. Some of these changes may result in additional costs or restrictions on the Group's activities. For example, on 3 April 2015, CIRC revised and released the

Administrative Measures on Capital Security Deposits of Insurance Companies, which is intended to strengthen regulations for the capital security deposits of insurance companies. The rules require insurance companies to choose at least two commercial banks whose net assets amount to at least RMB20 billion for the previous financial year as capital security deposit banks and the capital security deposit period should be for a minimum of one year. Under the Actuarial Provisions on Participating Insurance issued by CIRC on 25 September 2015, the dividends on the Group's participating products must be no less than 70% of the distributable earnings from participating products in accordance with CIRC requirements. If this level were to be increased in the future, the Group's profitability could be adversely affected.

The Group has not yet determined the impact of the new regulations, if any, on its business as a whole in the long term, although it is possible that it could affect the profitability of the Group's products.

Concentrated surrenders may materially and adversely affect the Group's cash flows, results of operations and financial condition.

Under normal circumstances, it is generally possible for insurance companies to estimate the overall amount of surrenders in a given period. However, the occurrence of emergency events that have significant impact, such as sharp declines in customer income due to a severe deterioration in economic conditions, radical changes in relevant government policies, loss of customer confidence in the insurance industry due to the weakening of the financial strength of one or more insurance companies or the severe weakening of the Group's financial strength, may trigger massive surrenders of insurance policies. If this were to occur, the Group would have to dispose of its investment assets, possibly at unfavourable prices, in order to make the significant amount of surrender payments. This could materially and adversely affect the Group's cash flows, results of operations and financial condition.

Competition from foreign-invested life insurance companies may increase as restrictions on their operations in China are relaxed.

Foreign-invested life insurance companies are insurance companies in which foreign entities hold at least a 25% and no more than 50% interest. Foreign-invested life insurance companies, through their Chinese and/or foreign shareholders, may have access to greater financial, technological or other resources than the Group does and may increase the competitive pressures the Group is facing.

Risks relating to the PRC

China's economic, political and social conditions, as well as government policies, could affect the Group's business.

Substantially all of the Group's assets are located in China and substantially all of its revenues are derived from its operations in China. Accordingly, the Group's results of operations and prospects are subject, to a significant degree, to economic, political and legal developments in China. The economy of China differs from the economies of most developed countries in many respects, including, without limitation:

- the extent of government involvement;
- its level of development;
- its growth rate; and
- its control of foreign exchange.

The economy of China has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the Chinese government. In addition, the Chinese government continues to play a significant role in regulating industrial development. It also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

According to data released by the National Bureau of Statistics of China, China's Gross Domestic Product, a key indicator of economic growth, was 6.9% in 2015, its slowest pace in 25 years. In an effort to bolster the economy, the Chinese government may take certain measures, including market-oriented financial reforms. Some of the measures taken by the Chinese government to improve China's economic performance may have a negative effect on the Group's business. For example, the Group's operating results and financial condition could be materially and adversely affected by government monetary policies and changes in interest rate policies, tax regulations and policies and regulations affecting the capital markets and the asset management industry. A slowdown in Chinese growth rates could also adversely affect the Group by impacting sales of its products, reducing its investment returns, or otherwise.

Uncertainty with respect to the PRC legal system, lack of uniform interpretation and effective enforcement may cause significant uncertainties to the Company's operations.

The Company is incorporated under the laws of China and is governed by its articles of association. The Chinese legal system is based on written statutes. Prior court decisions may be cited for reference but are not binding on subsequent cases and have limited precedential value. Since 1979, the Chinese legislative bodies have promulgated laws and regulations dealing with such economic matters as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws and regulations involve uncertainties.

For example, the NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issues outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities. The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue registration requirement. In the worst case scenario, it might become unlawful for the Company to perform or comply with any of its obligations under the Notes and the Notes might be subject to enforcement as provided in Condition 8 (*Events of Default*) of the Terms and Conditions. Potential investors of the Notes are advised to exercise due caution when making their investment decisions. Similarly, there is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular. The Company has undertaken to notify the NDRC of the particulars of the issue of the Notes within the prescribed period under the NDRC Circular.

Investors may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in the PRC based on English or other foreign laws against the Group and its management.

The Group is a company incorporated under the laws of China, and substantially all of its assets are located in China. In addition, most of its directors, supervisors and members of its senior management reside within China, and substantially all of the assets of these persons are located within China. As a result, it may not be possible to effect service of process outside China upon the Group's directors, supervisors, executive officers or members of its senior management, including with respect to matters arising under applicable securities laws. Furthermore, an original action may be brought in the PRC against the Group, its directors, supervisors, executive officers or members of its senior management only if the actions are not required to be arbitrated by PRC law and its articles of association, and only if the facts alleged in the complaint give rise to a cause of action under PRC law. In connection with any such original action, a PRC court may award civil liability, including monetary damages.

Government control of currency conversion and the fluctuation of the Renminbi may materially and adversely affect the Group's operations and financial results.

The Group receives substantially all of its revenues in Renminbi, which currently is not a freely convertible currency. A portion of these revenues must be converted into other currencies to allow it to make payments on obligations denominated in currencies other than the Renminbi.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China's political and economic conditions. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Since then, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day. The People's Bank of China surprised markets in August 2015 by thrice devaluing the Renminbi, lowering its daily mid-point trading price significantly against the U.S. dollar. The currency devaluation of the Renminbi was intended to bring it more in line with the market by taking market signals into account. Renminbi depreciated significantly against the U.S. dollar following this August 2015 announcement by the PBOC. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long-term. Any significant appreciation of the Renminbi against the U.S. dollar or other foreign currencies may result in the decrease in the value of the Group's foreign currency-denominated assets and its proceeds from the Offering. Conversely, any significant depreciation of the Renminbi may adversely affect the value of its businesses. In addition, there are limited instruments available for the Group to reduce our foreign currency risk exposure at reasonable costs. All of these factors could materially and adversely affect the Group's business, financial condition and results of operations.

The operations of the Group may be affected by rising inflation rates within the PRC.

Inflation rates within the PRC have been on a sharp uptrend in recent years. Increasing inflationary rates are due to many factors beyond the Group's control, such as rising food prices, rising production and labour costs, high lending levels, PRC and foreign governmental policy and regulations, and movements in exchange rates and interest rates. It is impossible to accurately predict future inflationary trends. If inflation rates rise beyond the Group's expectations, the costs of payouts to customers may become significantly higher than the Group has anticipated for the future, and the Group may be unable to increase premiums and other rates charged to customers in amounts that are sufficient to cover its increasing operating costs. These unanticipated costs may be exacerbated by the fact that the Group's investment portfolio is comprised primarily of fixed income securities. The Group's ability to make a profit on its products depends in part on the returns on investments supporting its obligations under these products, and given that the return on such fixed income investment holdings remain roughly constant despite inflation, the Group's investment income may not be sufficient to meet increasingly expensive payouts to customers. Furthermore, the Group may not be able to dispose of its fixed income securities on short notice, or may have to sell such securities at prices significantly lower than the prices it has recorded in its consolidated financial information. As a result, further inflationary pressures within the PRC may have a material adverse effect on the Group's business and financial condition and results of operations, as well as its liquidity and profitability.

Risks relating to the Notes

The Notes may not be a suitable investment for all investors.

The Notes are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with a measured appropriate addition of risk to the investor's overall portfolios. A potential investor should not invest in the Notes unless they have the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible economic scenarios, such as interest rate and other factors which may affect its investment and the ability to bear the applicable risks.

An active trading market for the Notes may not develop.

The Notes are a new issue of securities for which there is currently no trading market. Although an application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes on the Hong Kong Stock Exchange, no assurance can be given that such application will be approved, or even if the Notes become so listed, an active trading market for the Notes will develop or be sustained. No assurance can be given as to the ability of holders to sell their Notes or the price at which holders will be able to sell their Notes or that a liquid market will develop. The liquidity of the Notes will be adversely affected if the Notes are held or allocated to limited investors. None of the Joint Lead Managers is obligated to make a market in the Notes, and if the Joint Lead Managers do so, they may discontinue such market making activity at any time at their sole discretion. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

The Notes are unsecured obligations.

As the Notes are unsecured obligations of the Group, the repayment of the Notes may be compromised if:

- the Group enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Group's secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Group's indebtedness.

If any of these events were to occur, the Group's assets and any amounts received from the sale of such assets might not be sufficient to pay amounts due on the Notes.

Investors in the Notes may be subject to foreign exchange risks.

The Notes are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars would be subject to foreign exchange risks by virtue of an investment in the Notes, due to, among other things, economic, political and other factors over which the Group has no control. Depreciation of the U.S. dollars against such currency could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss when the return on the Notes is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Notes.

Changes in market interest rates may adversely affect the value of the Notes.

The Notes will carry fixed interest rates. Consequently, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes. If Noteholders sell the Notes they hold before the maturity of such Notes, they may receive an offer less than their investment.

The liquidity and price of the Notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in the Group's turnover, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, changes in government regulations and changes in general economic conditions nationally or internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. There is no assurance that these developments will not occur in the future.

Developments in other markets may adversely affect the market price of the Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Notes is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issues in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

The Group may be unable to redeem the Notes.

On certain dates, including but not limited to the occurrence of a Change of Control (as defined in the Terms and Conditions) and at maturity of the Notes, the Group may, and at maturity will, be required to redeem all of the Notes. If such an event were to occur, the Group may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Failure to redeem the Notes by the Group, in such circumstances, would constitute an Event of Default under the Notes, which may also constitute a default under the terms of other indebtedness of the Group or its subsidiaries.

The Notes will be structurally subordinated to the existing and future indebtedness and other liabilities of the Group's existing and future subsidiaries and effectively subordinated to the Issuer's secured debt to the extent of the value of the collateral securing such indebtedness.

The Notes will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's existing and future subsidiaries, whether or not secured. The Notes will not be guaranteed by any of the Issuer's subsidiaries, and the Issuer may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer is subject to various restrictions under applicable laws. The Issuer's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Notes or make any funds available therefore, whether by dividends, loans or other payments. The Issuer's right to receive assets of any of the Issuer's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer is creditor of that subsidiary). Consequently, the Notes will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's subsidiaries, other than the Issuer, and any subsidiaries that the Issuer may in the future acquire or establish.

The Notes are the Issuer's unsecured obligations and will (i) rank equally in right of payment with all the Issuer's other present and future unsubordinated and unsecured indebtedness; (ii) be effectively subordinated to all of the Issuer's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's present and future subordinated obligations. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Issuer's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Notes, these assets will be available to pay obligations on the Notes only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Noteholders rateably with all of the Issuer's other unsecured and unsubordinated creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Notes then outstanding would remain unpaid.

The insolvency laws of the PRC may differ from those of another jurisdiction with which the holders of the Notes are familiar.

The Issuer is incorporated under the laws of the PRC. Any bankruptcy proceeding relating to the Issuer would likely involve PRC bankruptcy laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

If the Issuer is unable to comply with the restrictions and covenants in its debt agreements (if any), or the Notes, there could be a default under the terms of these agreements, or the Notes, which could cause repayment of the Issuer's debt to be accelerated.

If the Issuer is unable to comply with the restrictions and covenants in the Notes, or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the debt agreements of the Issuer, contain cross acceleration or cross default provisions. As a result, the default by the Issuer under one debt agreement may cause the acceleration of repayment of debt, including the Notes, or result in a default under its other debt agreements, including the Notes. If any of these events occur, there can be no assurance that the Issuer's assets and cash flows would be sufficient to repay in full all of the Issuer s indebtedness, or that it would be able to find alternative financing. Even if the Issuer could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer.

A change in English law which governs the Notes may adversely affect holders of the Notes.

The Terms and Conditions are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Notes.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the holders of the Notes would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (*關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排*), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts.

However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts in respect of a dispute governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Notes will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder's ability to initiate a claim outside of Hong Kong will be limited.

Modifications and waivers may be made in respect of the Terms and Conditions and the Trust Deed by the Trustee or less than all of the holders of the Notes, and decisions may be made on behalf of all holders of the Notes that may be adverse to the interests of the individual holders of the Notes.

The Terms and Conditions contain provisions for calling meetings of the holders of the Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including those Noteholders who did not attend and vote at the relevant meeting and those Noteholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Notes may be adverse to the interests of the individual holders of the Notes.

The Terms and Conditions also provide that the Trustee may, without the consent of the holders of the Notes, agree to any modification of the Trust Deed, the Terms and Conditions and/or the Agency Agreement (other than in respect of a reserved matter) which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Notes and to any modification of the Notes, the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the holders of the Notes, authorise or waive any proposed breach or breach of the Notes, the Trust Deed or the Agency Agreement (other than a proposed breach, or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the holders of the Notes will not be materially prejudiced thereby.

The Trustee may request holders of the Notes to provide an indemnity and/or security and/or pre-funding to its satisfaction.

Where the Trustee is under the provisions of the Trust Deed bound to act at the request or direction of the Noteholders, the Trustee shall nevertheless not be so bound unless first indemnified and/or provided with security and/or pre-funded to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding, in breach of the terms of the Trust Deed or the Terms and Conditions and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Notes to take such actions directly.

The Notes will initially be represented by a Global Note Certificate and holders of a beneficial interest in the Global Note Certificate must rely on the procedures of the relevant Clearing System.

The Notes will initially be represented by a Global Note Certificate. Such Global Note Certificate will be deposited with a common depositary for Euroclear and Clearstream (each of Euroclear and Clearstream, a "**Clearing System**"). Except in the circumstances described in the Global Note Certificate, investors will not be entitled to receive definitive Notes. The relevant Clearing System will maintain records of the beneficial interests in the Global Note Certificate. While the Notes are represented by the Global Note Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by the Global Note Certificate, the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream for distribution to their account holders. A holder of a beneficial interest in a Global Note Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificate.

Holders of beneficial interests in a Global Note Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

Gains on the transfer of the Notes may be subject to income tax under PRC tax laws.

Under the Enterprise Income Tax Law of the PRC (the "**EIT Law**") which took effect on 1 January 2008 and its implementation rules, any gains realised on the transfer of the Notes by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "**non-resident enterprise**" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Notes by non-resident enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. On 23 March 2016, the Ministry of Finance and the State

Administration of Taxation issued the Circular of Full Implementation of Business Tax to VAT Reform Caishui [2016] No. 36, which introduced a new value-added tax ("**VAT**") from 1 May 2016. Pursuant to Circular 36, entities and individuals engaged in sales of services, such as lending funds to others for obtaining the interest income and transferring the ownership of negotiable securities, within the territory of the PRC shall pay value-added tax ("**VAT**") with the tax rate of 6%.

The Notes are redeemable in the event of certain withholding taxes being applicable.

There can be no assurance as to whether or not payments on the Notes may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC or any subdivision or authority therein or thereof having power to tax. Although pursuant to the Terms and Conditions, the Issuer is required to gross up payments on account of any such withholding taxes or deductions (whether by way of enterprise income tax ("**EIT**"), business tax, VAT or otherwise), the Issuer also has the right to redeem the Notes at any time in the event (i) it has or will become obliged to pay additional tax amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC in excess of the applicable rate on 8 September 2016, or any political subdivision or any authority therein or thereof having power to tax as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 8 September 2016, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

If the Issuer redeems the Notes prior to their maturity dates, investors may not receive the same economic benefits they would have received had they held the Notes to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer's ability to redeem the Notes may reduce the market price of the Notes.

The Group may issue additional Notes in the future.

The Group may, from time to time, and without prior consultation of the Noteholders, create and issue further Notes (see "*Terms and Conditions of the Notes*") or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Notes.

Ratings of the Notes may not reflect all risks and may be changed at any time, which may adversely affect value of the Notes.

The Notes are expected to be assigned a rating of "Baa3" by Moody's. One or more independent credit rating agencies may assign credit ratings to an issue of the Notes. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer to perform their respective obligations under the Notes and the credit risks in determining the likelihood that payments will be made when due under the Notes. Such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There can be no assurance that the ratings assigned to any Notes will remain in effect for any given period or that the ratings will not be lowered, suspended or withdrawn by the rating agencies in the future if, in their judgement, the circumstances so warrant. The Issuer has no obligation to inform holders of the Notes of any such suspension, revision, downgrade or withdrawal. A suspension, downgrade or withdrawal of the ratings of any Notes at any time may adversely affect the market price of the Notes.

Notes which have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

The denominations of the Notes are U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Therefore, it is possible that the Notes may be traded in amounts in excess of U.S.$200,000 that are not integral multiples of U.S.$200,000. In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than U.S.$200,000 will not receive a definitive certificate in respect of such holding of Notes (should definitive certificates be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more denominations. If definitive certificates are issued, Noteholders should be aware that Notes with aggregate principal amounts that are not an integral multiple of U.S.$200,000 may be illiquid and difficult to trade.

USE OF PROCEEDS

The gross proceeds of the issue of the Notes, without deducting the fees and other expenses in connection with the issue of the Notes, will be U.S.$492.05 million, which will, after deducting such fees and expenses, be used for working capital and general corporate purposes.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions which (subject to modification and except for the paragraphs in italics) will be endorsed on the Note Certificates issued in respect of the Notes:

The U.S.$500,000,000 3.00 per cent. Notes due 2021 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 14 (*Further issues*) and forming a single series therewith) of Union Life Insurance Co., Ltd. (合眾人壽保險股份有限公司) (the "**Issuer**") are constituted by, are subject to, and have the benefit of, a trust deed dated 19 September 2016 (as amended, restated, replaced or supplemented from time to time, the "**Trust Deed**") between the Issuer and The Hongkong and Shanghai Banking Corporation Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 19 September 2016 (as amended, restated, replaced or supplemented from time to time, the "**Agency Agreement**") between the Issuer, The Hongkong and Shanghai Banking Corporation Limited as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), The Hongkong and Shanghai Banking Corporation Limited as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), the transfer agents named therein (the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the Trustee. References herein to the "**Agents**" are to the Registrar, the Principal Paying Agent, the Transfer Agents and the Paying Agents and any reference to an "**Agent**" is to any one of them. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. Form, Denomination and Status

(a) *Form and denomination*: The Notes are in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorised Denomination**").

(b) *Status of the Notes*: The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

*Upon issue, the Notes will be evidenced by a global note certificate (the "Global Note Certificate") substantially in the form scheduled to the Trust Deed. The Global Note Certificate will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"), and will be exchangeable for individual Note Certificates (as defined below) only in the circumstances set out therein.*

2. Register, Title and Transfers

(a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(e) *No charge*: The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*: Noteholders may not require transfers to be registered (i) during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes; (ii) during the period of 15 days ending on (and including) any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 5(b) (*Redemption for tax reasons*); or (iii) after a Put Exercise Notice (as defined in Condition 5(c) (*Redemption for Change of Control*) has been delivered in respect of the relevant Note(s) in accordance with Condition 5(c) (*Redemption for Change of Control*).

(g) *Regulations concerning transfers and registration*: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be made available for inspection by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3. Covenant

(a) *Negative Pledge*: So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer shall not, and the Issuer shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital (if applicable)) to secure any Relevant Indebtedness or guarantee or indemnity of Relevant Indebtedness without at the same time or prior thereto (a) securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (b) providing such other security for the Notes that the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders.

(b) *Notification to NDRC*: The Issuer undertakes to file or cause to be filed with the NDRC the requisite information and documents within 10 Beijing Business Days after the Issue Date (as defined below) in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044 號)) issued by the NDRC and which came into effect on 14 September 2015 and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**"). The Issuer shall complete the NDRC Post-issue Filing and provide such document(s) evidencing due filing with the NDRC within the prescribed timeframe and shall comply with all applicable PRC laws and regulations in connection with the Notes. The Issuer shall within 10 Beijing Business Days after submission of such NDRC Post-issue Filing (i) provide the Trustee with a certificate substantially in the form set out in the Trust Deed signed by a director of the Issuer confirming the submission of the NDRC Post-issue Filing and (ii) give notice to the Noteholders in accordance with Condition 15 (*Notices*). The Trustee shall have no duty to monitor or ensure the completion of the NDRC Post-issue Filing on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing, and shall not be liable to any Noteholders or any other person for not doing so.

(c) *Financial Statements etc.*: So long as any Note remains outstanding, the Issuer shall provide (i) a Compliance Certificate of the Issuer (on which the Trustee may rely as to such compliance) within 14 Beijing Business Days of a written request by the Trustee and at the time of provision of the Audited Financial Reports; (ii) a copy of the relevant Audited Financial Reports within 150 days of the end of each Relevant Period prepared in accordance with PRC GAAP (audited by a nationally recognised firm of independent accountants of good repute); and (iii) a copy of the Unaudited Financial Reports within 90 days of the end of each Relevant Period prepared on a basis consistent with the Audited Financial Reports provided that, if at any time the capital stock of the Issuer is listed for trading on a recognised stock exchange, the Issuer may make available to the Trustee, as soon as they are available but in any event not more than 14 Beijing Business Days after any financial or other reports of the Issuer are filed with the exchange on which the Issuer's capital stock is at such time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the reports identified in this Condition 3(c) and if such reports referred to in this Condition 3(c) shall be in the Chinese language, together with an English translation of the same translated by (x) a nationally recognised firm of independent accountants of good repute or (y) a professional translation service provider and checked by a nationally recognised firm of independent accountants of good repute, together with a certificate signed by a director or authorised signatory of the Issuer certifying that such translation is complete and accurate.

(d) *Rating Maintenance*: So long as any Note remains outstanding, save with the approval of an Extraordinary Resolution of Holders, the Issuer shall use best efforts to maintain a rating on the Notes by any one of the Rating Agencies and notify the Trustee of any change in such rating in accordance with the Trust Deed.

In these Conditions:

"**Audited Financial Reports**" means the annual audited consolidated balance sheet, income statement, cash flow statement and statement of changes in equity of the Issuer and its Subsidiaries together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

"**Beijing Business Day**" means a day on which commercial banks are open for business in Beijing;

"**Compliance Certificate**" means a certificate of the Issuer signed by any one of its directors certifying that, having made due enquiries, to the best of the knowledge, information and belief of the Issuer as at a date (the "**Certification Date**") not more than five days before the date of the certificate:

(a) no Event of Default nor an event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 8 (*Events of Default*), become an Event of Default, had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(b) the Issuer has complied with all its obligations under the Notes, the Trust Deed and the Agency Agreement;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC;

"**NDRC**" means the National Development and Reform Commission of the PRC or its local counterparts;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**PRC**" means the People's Republic of China, which, for the purposes of these Conditions, shall not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

"**PRC GAAP**" means the Accounting Standards for Business Enterprises in the PRC;

"**Rating Agencies**" means (a) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors ("**Moody's**"); (b) Fitch Ratings and its successors ("**Fitch**"); or (c) Standard & Poor's Rating Services and its successors ("**S&P**");

"**Relevant Indebtedness**" means any indebtedness issued outside of the PRC and with a tenor of one year or more and which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Relevant Period**" means (a) in relation to each of the Audited Financial Reports and the annual Compliance Certificate of the Issuer, each period of twelve months ending on the last day of the financial year (being 31 December of that financial year); and (b) in relation to the Unaudited Financial Reports, each period of six months ending on the last day of the first half financial year (being 30 June of that financial year);

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(a) which owns or controls (either directly or through one or more Subsidiaries) more than 50 per cent. of the issued share capital of the first Person or other ownership interest having ordinary voting power to elect directors, managers or trustees of the first Person; or

(b) whose financial statements are, in accordance with applicable law or generally accepted accounting principles, consolidated with those of the first Person; and

"**Unaudited Financial Reports**" means the semi-annual unaudited and unreviewed consolidated balance sheet, income statement, cash flow statement and statement of changes in equity of the Issuer and its Subsidiaries together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them, if any.

4. Interest

The Notes bear interest from 19 September 2016 (the "**Issue Date**") at the rate of 3.00 per cent. per annum, (the "**Rate of Interest**") payable in arrear on 19 March and 19 September in each year in equal instalments (each, an "**Interest Payment Date**"), subject as provided in Condition 6 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be U.S.$15 in respect of each U.S.$1,000 principal amount of the Notes. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount, where:

"**Calculation Amount**" means U.S.$1,000; and

"**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months).

5. Redemption and Purchase

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 19 September 2021, subject as provided in Condition 6 (*Payments*).

(b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(i) the Issuer has or will become obliged to pay Additional Amounts (as defined in Condition 7 (*Taxation*)) as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 8 September 2016; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee:

(A) a certificate signed by any director or authorised signatory of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and

(B) an opinion in form and substance satisfactory to the Trustee of independent legal or tax advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee shall be entitled to accept and rely upon such certificate and opinion (without further investigation or enquiry) as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) above, in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

(c) *Redemption for Change of Control*: At any time following the occurrence of a Change of Control, each Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of that Noteholder's Notes on the Put Settlement Date at 101 per cent. of their principal amount, together with accrued interest to such Put Settlement Date. To exercise such right, the Noteholder must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the Specified Office of any Paying Agent (a "**Put Exercise Notice**"), together with the Note Certificates evidencing the Notes to be redeemed by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 15 (*Notices*). The "**Put Settlement Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes subject to the Put Exercise Notices delivered as aforesaid.

The Issuer shall give notice to Noteholders and the Trustee in accordance with Condition 15 (*Notices*) by not later than 14 days following the first day on which the Issuer becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by Holders of their rights to require redemption of the Notes pursuant to this Condition 5(c).

In this Condition 5(c):

a "**Change of Control**" occurs when the Controlling Person ceases to have Control of the Issuer or its successor entity;

"**Control**" means (where applicable), with respect to the Issuer, the ownership, acquisition or control of 30 per cent. of the voting rights of the issued share capital of the Issuer, whether obtained directly or indirectly; and

"**Controlling Person**" means Zhongfa Industry (Group) Co., Ltd. (中發實業(集團) 有限公司).

(d) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (c) (*Redemption for Change of Control*) above.

(e) *Purchase*: The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price. The Notes so purchased, while held by or on behalf of the Issuer or any of its Subsidiaries, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purpose of calculating quorums at meetings of the Bondholders or for the purposes of Condition 12 (*Meetings of Noteholders; Modification and Waiver*).

(f) *Cancellation*: All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries shall be cancelled and may not be reissued or resold.

(g) *No duty to monitor*: The Trustee shall not be obliged to take any steps to ascertain whether a Change of Control, Potential Event of Default (as defined in the Trust Deed) or Event of Default has occurred or to monitor the occurrence of any Change of Control, Potential Event of Default or Event of Default, and shall not be liable to the Noteholders or any other person for not doing so.

(h) *Calculations*: Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption and shall not be liable to the Noteholders or any other person for not doing so.

6. Payments

(a) *Principal*: Payments of principal shall be made by U.S. dollar cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made by U.S. dollar cheque drawn on, or upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days*: Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. In this paragraph, "**business day**" means any day on which banks are open for general business (including dealings in foreign currencies) in New York City and Hong Kong and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date*: Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

*Notwithstanding the foregoing, so long as the Global Note Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

7. Taxation

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law.

Where such withholding or deduction is made by the Issuer in the PRC at the rate applicable on 8 September 2016 (the "**Applicable Rate**"), the Issuer will pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

In the event that the Issuer is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, the Issuer shall pay such additional amounts (the "**Additional Amounts**") as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note:

(a) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the PRC other than the mere holding of the Note; or

(b) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such Additional Amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

If the Issuer becomes subject at any time to any taxing jurisdiction other than the PRC, references in these Conditions to the PRC shall be construed as references to the PRC and/or such other jurisdiction.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 7 (*Taxation*) or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Noteholders or any other person to pay such tax, duty, charges, withholding or other payment.

8. Events of Default

If any of the following events occurs, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

(a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 14 days of the due date for payment thereof; or

(b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and such default (i) is incapable of remedy or (ii) being a default which is capable of remedy remains unremedied for 45 days after the Trustee has given written notice thereof to the Issuer; or

(c) *Cross-default of Issuer or Subsidiary*:

(i) any indebtedness of the Issuer or any of its Subsidiaries borrowed or raised is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Subsidiary or (*provided that* no event of default, howsoever described, has occurred) any person entitled to such indebtedness; or

(iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any guarantee or indemnity of any indebtedness;

provided that the amount of indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any guarantee or indemnity referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds U.S.$20,000,000 (or its equivalent in any other currency or currencies); or

(d) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment of any amount, individually or in the aggregate, in excess of US$15,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate, is rendered against the Issuer or any of its Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 45 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a material part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries and such action is not discharged within 45 days after the date thereof; or

(f) *Insolvency, etc.*: (i) the Issuer or any of its Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer or any of its Principal Subsidiaries or all or a substantial part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries, (iii) the Issuer or any of its Principal Subsidiaries takes any action for a readjustment or deferment of all or a substantial part of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of all or a substantial part of its indebtedness or any guarantee or indemnity of any indebtedness given by it; or

(g) *Winding up, etc.*: (i) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Principal Subsidiaries or (ii) the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business; except (A) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Noteholders, or (B) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or any of its Principal Subsidiaries, or (C) a members' voluntary solvent winding-up of any Principal Subsidiary, or (D) in the case of a Principal Subsidiary, any disposal or sale of a Principal Subsidiary to any other person on arms' length terms for market consideration, where the proceeds (whether in cash or otherwise) resulting from such disposal or sale are transferred to or vested in the Issuer and/or any of its Subsidiaries; or

(h) *Analogous event*: any event occurs which under the laws of the PRC has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding up, etc.*) above; or

(i) *Failure to take action, etc.*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes or the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Note Certificates and the Trust Deed admissible in evidence in the courts of Hong Kong and the PRC is not taken, fulfilled or done; or

(j) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed; or

(k) *Government intervention*: (i) all or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the Issuer or any of its Principal Subsidiaries is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues.

In these Conditions, "**Principal Subsidiary**" in respect of the Issuer means any Subsidiary of the Issuer:

(a) whose total revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total revenue, as shown by its latest audited income statement, is at least three per cent. of the consolidated revenue as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries; or

(b) whose net profits or (in the case of a Subsidiary which itself has Subsidiaries) consolidated net profits, as shown by its latest audited income statement, are at least three per cent. of the consolidated net profit as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries; or

(c) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least three per cent. of the amount which equals the amount included in the consolidated total assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries; or

(d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, *provided that* the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall cease to be a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate), of the Issuer prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition;

provided that, in relation to paragraphs (a), (b) and (c) above of this definition:

(i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, the total revenue, net profit or total assets of the Issuer and/or any such Subsidiary shall be determined on the basis of *pro forma* consolidated accounts prepared for this purpose by the Issuer;

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total revenue, net profit or total assets (consolidated, if appropriate) shall be determined on the basis of *pro forma* accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer; and

(iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a *pro forma* consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

A certificate substantially in the form set out in the Trust Deed signed by a director or an authorised signatory of the Issuer certifying that, in their opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

9. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

11. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and/or provided with security and/or pre-funded and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee, the Agents and their respective directors and officers are entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Holders of Notes as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or principal paying agent and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer shall at all times maintain a principal paying agent and a registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

12. Meetings of Noteholders; Modification and Waiver

(a) *Meetings of Noteholders*: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Noteholders holding not less than 90 per cent. of the aggregate principal amount of the Notes then outstanding who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification and waiver*: The Trustee may, without the consent of the Noteholders, agree to any modification of these Conditions, the Trust Deed and the Agency Agreement (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes, the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error. In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes, the Trust Deed or the Agency Agreement (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders by the Issuer as soon as practicable thereafter.

(c) *Directions from Noteholders*: Notwithstanding anything to the contrary, the Notes, the Trust Deed and/or the Agency Agreement, whenever the Trustee is required or entitled by the terms or conditions in the Notes, the Trust Deed and/or the Agency Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Noteholders by way of an Extraordinary Resolution and shall have been indemnified and/or provided with security and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

(d) *Certificates and Reports*: The Trustee may rely without liability to Noteholders on a report, advice, opinion, confirmation or certificate from any lawyers, valuers, accountants (including auditors and surveyors), financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, opinion or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders.

13. Enforcement

The Trustee may at any time, at its discretion and without notice, institute such actions, suits and proceedings as it thinks fit to enforce its rights under the Trust Deed or the Agency Agreement in respect of the Notes, but it shall not be bound to do so unless:

(a) it has been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(b) it has been indemnified and/or provided with security and/or pre-funded to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

14. Further Issues

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest and the timing for reporting to the NDRC) so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

15. Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

Until such time as any individual certificates are issued and so long as the Global Note Certificate is held in its entirety on behalf of Euroclear and Clearstream any notice to the Noteholders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

16. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify the Trustee and each Noteholder, on the written demand of the Trustee or such Noteholder addressed to the Issuer and delivered to the Issuer, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Trustee or such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

17. Governing Law and Jurisdiction

(a) *Governing law*: The Notes, the Trust Deed and Agency Agreement and any non-contractual obligations arising out of or in connection with the Notes, the Trust Deed and Agency Agreement are governed by English law.

(b) *Jurisdiction*: The Issuer has in the Trust Deed (i) agreed for the benefit of the Trustee and the Noteholders that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes); (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) designated a person in Hong Kong to accept service of any process on its behalf; (iv) consented to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Notes will be represented by a Global Note Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream.

The Global Note Certificate will become exchangeable in whole, but not in part, for Individual Note Certificates if (a) Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Note Certificate, Euroclear and/or Clearstream, to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Holder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

In addition, the Global Note Certificate will contain provisions that modify the Terms and Conditions as they apply to the Notes evidenced by the Global Note Certificate. The following is a summary of certain of those provisions:

Payments Business Day

In the case of all payments made in respect of the Global Note Certificate "**business day**" means any day which is a day on which banks are open for general business (including dealings in foreign currencies) in New York City.

Payment Record Date

Each payment in respect of the Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Exercise of put option

In order to exercise the option contained in Condition 5(c) (*Redemption for Change of Control*) the Holder of the Global Note Certificate must, within the period specified in the Terms and Conditions for the deposit of the relevant Note Certificate and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Notices

Notwithstanding Condition 15 (*Notices*), so long as the Global Note Certificate is held on behalf of Euroclear, Clearstream or any other clearing system (an "**Alternative Clearing System**"), notices to Holders of Notes represented by the Global Note Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream or (as the case may be) such Alternative Clearing System.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's consolidated capitalisation and indebtedness as at 31 December 2015 and as adjusted to give effect to the aggregate principal amount of the Notes and the receipt of the gross proceeds thereof. Investors should read this table in conjunction with the Group's consolidated financial statements and related notes included elsewhere in this Offering Circular.

	As at 31 December 2015			
	Actual		As adjusted	
	RMB (millions)	*U.S.$[3] (millions)*	*RMB (millions)*	*U.S.$[3] (millions)*
Liabilities				
Long-term borrowings	410	62	410	62
The Notes to be issued	–	–	3,270	492
Total borrowings[1]	410	62	3,680	554
Equity				
Share capital	3,408	513	3,408	513
Capital reserves	1,110	167	1,110	167
Other comprehensive income	250	38	250	38
Attributable to equity holders of the Company	6,643	1,000	6,643	1,000
Non-controlling interests	31	5	31	5
Total equity	6,673	1,004	6,673	1,004
Total capitalisation[2]	7,083	1,066	10,353	1,558

Notes:

(1) Total borrowings equals to the sum of long term borrowings and the Notes to be issued.

(2) Total capitalisation equals to the sum of total borrowings and total equity.

(3) The translation of Renminbi amounts into U.S. dollar amounts has been made at the rate of RMB6.6459 to U.S.$1.00.

There has been no material adverse change in the Group's consolidated capitalisation and indebtedness since 31 December 2015.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is a nationwide insurer with a diversified business portfolio in the PRC including life insurance, health insurance, accidental insurance, motor vehicle insurance, asset management and senior care. Since incorporation on 28 January 2005, the Group has become a medium-sized insurer in the PRC insurance market with a steady growth track record. The Group has built one of the industry-leading individual agent channels in the PRC with high productivity and profitability and the Group is focused on developing and maintaining a balanced product portfolio with an emphasis on high margin insurance products. In addition, the Group operates an industry-leading senior care business with domestic and overseas retirement communities and has developed a model combining life insurance with senior care communities, providing integrated retirement solutions for the elderly.

The Group's assets and its gross written premiums have grown steadily since its establishment in 2005. As at 31 December 2013, 2014 and 2015, the Group's total assets were RMB48,381.4 million, RMB73,897.8 million and RMB76,737.1 million, respectively. For the years ended 31 December 2013, 2014 and 2015, the Group's gross written premiums amounted to RMB6,925.7 million, RMB11,776.1 million and RMB12,337.6 million, respectively. In addition, notwithstanding only being established in 2005, the Group became profitable in 2009. For the years ended 31 December 2013, 2014 and 2015, the Group's net profit amounted to RMB935.6 million, RMB406.2 million and RMB820.8 million, respectively.

The following table sets forth gross written premiums according to product type during the years indicated.

	For the year ended 31 December		
	2013	2014	2015
		(RMB in millions)	
Gross written premiums			
Life insurance			
Participating insurance	5,843.8	4,781.3	5,133.0
Universal insurance	17.4	16.6	16.2
Traditional insurance	304.3	5,952.8	5,671.0
Health insurance	657.6	907.1	1,355.8
Accidental insurance	102.5	118.1	159.0
Motor vehicle insurance	–	–	2.7
Total	**6,925.7**	**11,776.1**	**12,337.6**

The Group's product offerings can also be classified into single premium products, regular premium products and reinsurance products. For the year ended 31 December 2015, regular premium products contributed to 76.2% of the Group's APE.

As at 31 December 2015, the Group had nearly 5 million individual and group life insurance policies, annuity contracts, health insurance and accident insurance policies in force. The Group had 2.00 million, 2.27 million and 2.28 million in-force policy holders for long-term insurance policies as at 31 December 2013, 2014 and 2015, respectively. The policy persistency ratio, which is the ratio of the insurance policies that are still effective after a certain period, were 86% in 2013, 88% in 2014 and 89% in 2015 for insurance policies effective 13 months after issuance, respectively, and 82% in 2013, 81% in 2014 and 82% in 2015 for insurance policies effective 25 months after issuance, respectively.

The Group benefits from its growing distribution force with extensive geographic reach. As of 31 December 2015, the Group had 26 branches, 77 sub-branches, 481 service offices, 1 telemarketing centre, and approximately 58,000 individual agents to market its insurance products. The Group has established certain major distribution channels, including agent sales, bancassurance, internet, group distribution and telemarketing covering diversified life insurance products in the market. See "*Distribution Channels*".

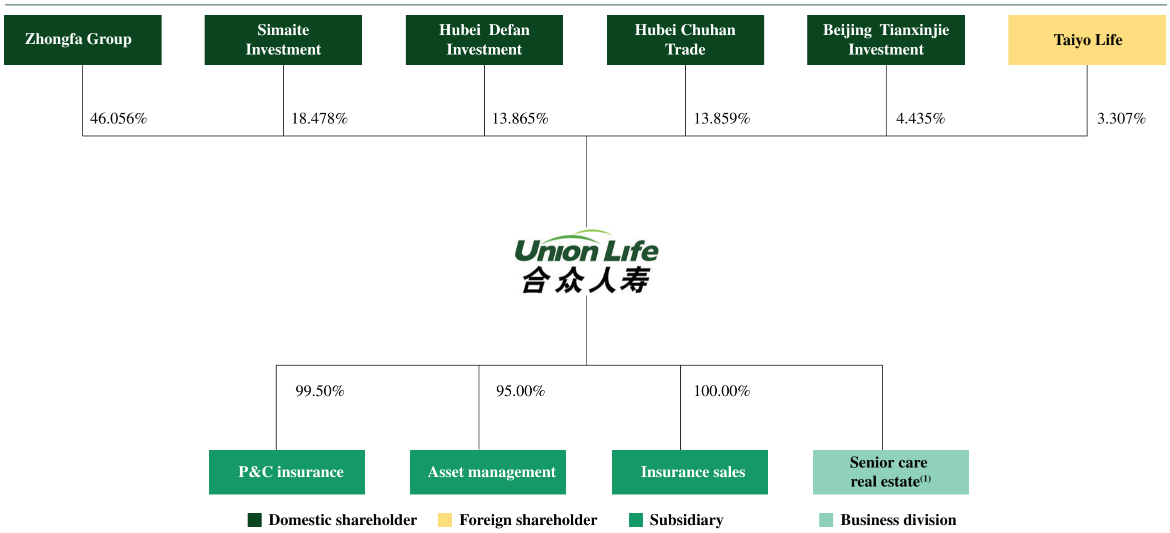
The Group has solid investment strategies in place and believes a prudent investment approach allows the Group to maintain financial stability in volatile macroeconomic and financial conditions. The Group's investment assets as at 31 December 2013, 2014 and 2015 amounted to RMB45.3 billion, RMB56.9 billion and RMB62.3 billion, respectively. For the years ended 31 December 2013, 2014 and 2015, the Group's total investment yield was 9.1%, 6.5% and 6.9%, respectively.

HISTORY AND ORGANISATION

The Company was established with the approval of the CIRC on 28 January 2005. As of the date of this Offering Circular, Zhongfa Group is the largest shareholder of the Company, with a stake of 46.056%.

The following is a simplified corporate and shareholding structure of the Group and the Company's interests as at the date of this Offering Circular.

Group structure of Union Life



Note:

(1) The senior care real estate business comprises of 6 subsidiaries, namely Union Life Health Industrial (Wuhan) Investment, Union Life Health Industrial (Nanning) Investment, Union Life Health Industrial Project (Shenyang) Investment, Hefei Union Life Health Industrial Project Investment, Union Life Health Industrial (Ji'nan) Investment and Union Younian (Beijing) Investment.

AWARDS

By virtue of its competitive strengths, outstanding customer service and continued commitment to social responsibility, the Group has earned numerous honours and awards, including the following:

- "Excellent Asset Management Efficiency" by China Insurance Industry Innovation and Development Forum in 2016;
- "Investment Insurance Product of 2015" by *China Insurance News* (中國保險報) in 2015;
- "Advanced Unit in National Insurance System" by Ministry of Human Resources and Social Security of the People's Republic of China in 2015;
- "Enterprise with Harmonious Labor Relations in Hubei Province" by Human Resources and Social Security Department of Hubei Province in 2015;
- "Best Innovative Insurance Product" by *Securities Times* (證券時報) in 2015;
- "Best Claims Award" by JRJ.com (金融界) in 2014;

- "Best Charity Communication Award" by China Charity Festival in 2014;
- "Insurance Brand with Highest Growth Potential" by Insurance Association of China in 2014;
- "Best Real Estate Investment Plan in China" by *Securities Times* (證券時報) in 2014;
- "Best Customer Service Award" and "Best CSR Practice Award in China Financial Industry" by JRJ.com (金融界) in 2013;
- "Gold Medal Innovation Insurance Company" by *Financial Money* (金融理財) in 2013;
- "The Most Valuable Retirement Community Award" by *China Times* (華夏時報) in 2013;
- "Innovation Award for Retirement Community Service" by 21st Century Annual Finance Summit of Asia (21世紀亞洲金融年會) in 2013;
- "Public Welfare Unit of the Year" and "Public Welfare Project Award of the Year" by China Charity Festival in 2013; and
- "Best Practice Award for Public Welfare" by *Moneyweek* (理財週報) in 2013.

INDUSTRY OVERVIEW

According to the Sigma Report of 2016, China is the fourth largest life insurance market in the world with a total written premium in China's life insurance market of approximately USD211 billion in 2015. The PRC insurance industry has grown rapidly over the past decade. At the same time, China's life insurance industry has relatively low market penetration with significant growth potential. According to the Sigma Report of 2016, China's life insurance penetration was 1.95%, which was much lower than those in the insurance markets of developed countries such as Singapore of 5.55% and Japan of 8.27%.

The life insurance industry continues to grow at a fast pace and is becoming increasingly competitive in China. In particular, medium-sized insurers have continued to capture more market share and pose significant threats to traditional large-scale/state-owned insurance companies. The market share of the medium-sized insurers has increased gradually, from 22% in 2010 to 37% in 2015 in terms of gross written premiums. Meanwhile, Chinese insurers have also been increasingly focusing on generating higher margins on their insurance products and this has resulted in improving product innovation and differentiation.

Favourable policies have elevated commercial insurance to an important pillar of the social security system and the financial system in China. CIRC's "Open up the front and control the back" regulatory principle has significantly improved industry performance through simplifying hierarchies, which delegates authority while closely monitoring the fundamental performance indicators. Regulatory framework has continuously improved, which promotes healthy and sustainable development of the industry.

In August 2014, the State Council of the PRC released Certain Opinions on Improving Development of the Morden Insurance Service Industry (關於加快發展現代保險服務業的若干意見) ("**New National Ten Clauses**") which aims to develop China's insurance industry. The PRC central government has targeted insurance market penetration (premium income divided by the gross domestic products) of 5% and insurance density (premium income divided by the total population) of RMB3,500 per person by 2020. China Risk Oriented Solvency System has been officially implemented since 1 January 2016, which is estimated to release a large quantity of funds to the life insurance industry.

With more government promotions and reforms, an increasing number of insurance companies are starting to explore senior care housing and medical care opportunities with good growth prospects. Executive meetings of the State Council have led to initiatives for medical and senior care integration, to ensure greater levels of senior care to promote medical integration and develop infrastructure to facilitate greater efficiency within senior care organisations, to encourage social integration of medical care, to mobilise regions rich in medical resources to support senior care facilities and establish innovative long-term care insurance products with greater investment and to expand government procurement of senior care products.

COMPETITIVE STRENGTHS

The Group's competitive strengths, as set forth in the following, will enable the Group to benefit from the fast growing insurance industry and the increasing demand for insurance products.

Continuous value growth and strong profitability

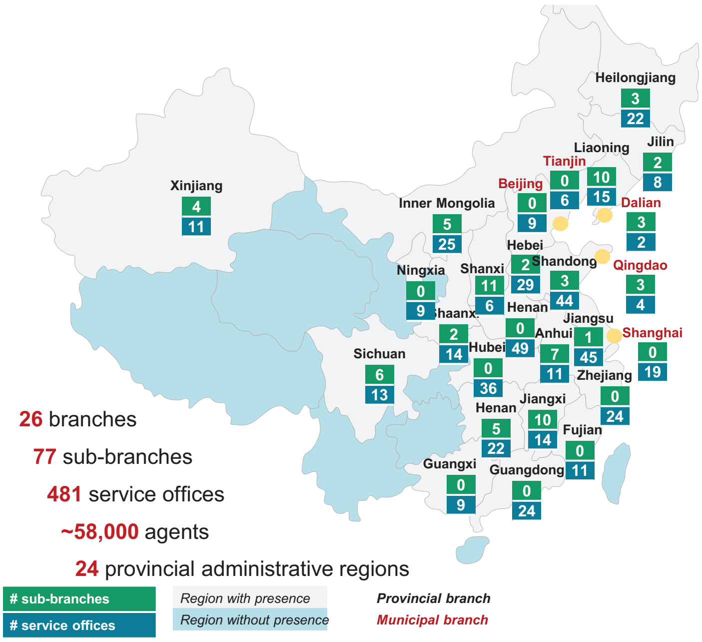
Since its establishment in 2005, the Group has steadily developed its business by building an extensive distribution network, stable client relationships and a diversified and innovative product portfolio with a focus towards higher margin products. The Group has prioritised, and will continue to prioritise, a balance between growth and value creation rather than aggressive business expansion to increase market share. Under this strategy, the Group has experienced stable growth in new business value and embedded value. As at 31 December 2013, 2014 and 2015, the Group's embedded value was RMB3,041 million, RMB4,933 million and RMB9,464 million, respectively. The Group's new business value was RMB433 million, RMB543 million and RMB827 million for the years ended 31 December 2013, 2014 and 2015, respectively.

The Group has maintained strong profitability over the years despite increasing industry competition. For the years ended 31 December 2013, 2014 and 2015, net profit was RMB936 million, RMB406 million and RMB821 million, respectively, representing a ROAA of 2.1%, 0.7% and 1.1%, respectively, a ROAE of 29.5%, 9.3% and 13.9%, respectively.

Individual agent channel at the core of diversified distribution channels

The Group has built one of the industry-leading individual agent channels in the PRC, with high productivity and profitability. The Group's individual agent channel contributed to 49.3% of the Group's gross written premiums and 93% of new business value of the year ended 31 December 2015 and almost all of the premiums from the individual agent channel came from regular premium products. For the years ended 31 December 2013, 2014 and 2015, the new business value generated from the Group's individual agent channel amounted to RMB436 million, RMB501 million and RMB771 million, respectively. For the years ended 31 December 2013, 2014 and 2015, first year regular premiums amounted to RMB1,079 million, RMB943 million and RMB1,814 million, respectively, of which first year regular premiums contributed from individual agent channel amounted to RMB898 million, RMB885 million and RMB1,753 million, respectively. For the year ended 31 December 2015, the individual agent channel and the bancassurance channel contributed 73.6% and 22.5% of the Group's APE, respectively. The Group's individual agents are well-equipped with cross-selling capabilities and advanced technologies such as the mobile integrated terminal.

Besides its strong individual agent channel, the Group has also consistently improved other distribution channels and has established an integrated model comprising an individual agent channel at the core and complemented by multi-faceted distribution channels including bancassurance, internet distribution, group distribution and telemarketing. The diversified distribution channels have helped the Group promote the sales of product portfolios and build up a large-scale nationwide sales network. Its distribution and service networks cover 24 provincial administrative regions in the PRC. As at 31 December 2015, the Group had 26 branches, 77 sub-branches, 481 service offices, 1 telemarketing centre, and 58,148 individual agents. The following map indicates the locations of the Group's nationwide sales network as at 31 December 2015:



Value-oriented, high quality and balanced product structure

The Group has a wide range of products, covering life, accident and health. It emphasises a balanced development of its product portfolio, and continues to promote both traditional and participating products to suit different customer needs. Amid the current volatile investment environment with downward pressure on global interest rates, the Group has maintained a relatively balanced mix of traditional and participating products.

In addition, the Group continues to optimise its product portfolio, with the proportion of regular premium products consistently increasing. The contribution of first year regular premium to APE increased from 61% in 2014 to 76% in 2015. The following table sets forth the major products for the year ended 31 December 2015:

Name	Type	Participating/ Traditional	New business premium
			(RMB in millions)
Big Winner (大盈家)	Endowment	Participating	1,155
Cherish Happiness (珍愛幸福)	Critical illness	Traditional	341
Fortune (福來寶)	Annuity	Traditional	72
Escort the Emperor (至尊保駕)	Endowment	Traditional	64
No. 1 Annuity (一號年金)	Annuity	Traditional	109
Life-time Stress-free from Cancer (一生無憂終身防癌)	Critical illness	Traditional	14
Family Peace (合家康)	Endowment	Participating	8

Although CIRC commenced deregulation of insurance product pricing in 2013, the Group has continued to take a prudent and conservative approach on its products pricing.

Conservative investment portfolio with strong returns on investment

The Group adheres to the principles of value investment and prudent management, and emphasises security, return, liquidity and asset-liability-matching of its investment practices to achieve stable returns with well-controlled risks. The Group has solid investment strategies in place and believes that a prudent investment approach allows the Group to maintain financial stability in volatile macroeconomic and financial conditions. The largest portion within the current portfolio comprises fixed income assets with AAA or equivalent credit ratings. The Group's investment assets as at 31 December 2013, 2014 and 2015 amounted to RMB45.3 billion, RMB56.9 billion and RMB62.3 billion, respectively. For the years ended 31 December 2013, 2014 and 2015, the Group's total investment yield was 9.1%, 6.5% and 6.9%, respectively. The portion of the Group's investment in equity related securities is relatively small. For more details, please see "*Description of the Group – Investments*".

Well-established risk control system and solid capital position

The Group has established a complete risk identification and evaluation system and continues to strengthen its risk management process. Its three-lines-of-defence risk management system fully meets the requirements under the "C-ROSS" regulatory framework. The Internal Control and Risk Management Department is in charge of the overall risk management, coordinating various business units and risk management departments. Responsibilities of supervising the management of each of the main categories of risks, such as operational risks, liquidity risks and insurance risks, have been explicitly designated to a number of departments. For more details, please see "*– Risk Management*".

The Group has improved its solvency, and its value-oriented business development will further benefit from the C-ROSS framework. As at 31 December 2015, the Group's solvency ratio under the old solvency regulations China Solvency I ("**C-SI**") was 172%. As at 30 June 2015, 31 December 2015 and 30 June 2016, the Group's core solvency ratio was 160%, 170% and 174%, respectively and its comprehensive solvency ratio was 282%, 291% and 277%, respectively.

The Group also maintains a strong financial position by keeping cash and deposits relative to net assets at a relatively high level and bonds payable to net assets at a relatively low level compared to other insurance companies.

Visionary and experienced management team

The Group's senior management consists of highly qualified professionals with in-depth industry knowledge, extensive managerial experience and expertise in the PRC insurance and related industries. As a result, the management team brings substantial industry expertise to the day-to-day management of the Group's operations. In particular, the founder and chairman of the Company, Mr. Dai Hao, has over 10 years of experience in the insurance industry. Mr. Dai is a member of Chinese People's Political Consultative Conference. He was awarded "National Insurance Model Worker" by Ministry of Human Resources and Social Security of the People's Republic of China in 2015, "Outstanding Contribution Award" by China Glory Society in 2014, and "Insurance Industry Figure" by China Insurance Brand Competitiveness Summit (中國保險業品牌競爭力高峰會) in 2011. In addition, the Company's general manager, Mr. Lau Chi Kin, has over 26 years of experience in the insurance industry. The Company's deputy general manager, Mr. Cheung Chun Tong, has served as an actuary for over 29 years with extensive experience in the insurance market in Canada, the United States, the PRC, Hong Kong, Philippines, Indonesia, and Singapore. The Company's management team offers the Group broad strategic perspectives, effectively drives the Group's business strategies, and enables the Group to respond quickly and effectively to changes in the markets in which the Group operates.

BUSINESS STRATEGIES

The Group intends to focus on further developing its core life insurance business, with a key focus on high-margin products, and promoting organic growth of its other insurance and financial operations to provide customers with a more well-rounded offering of products and services. The Group also aims to reinforce its capital base in order to facilitate business development.

In order to achieve these objectives, the Group intends to capitalise on its enhancing position in China's life insurance market and pursue the following business strategies:

Focus on growth to realise economies of scale and maintain prudent operations by balancing value creation and business scale expansion to achieve robust high quality growth

The Group intends to focus on the development of its businesses and the growth from a medium-sized insurance company into a leading player in the PRC insurance market. As the Group grows in size, it will gradually achieve economies of scale, such as building a centralised operational platform, enhancing standardisation in internal work flow procedures thus improving efficiency and consistency, and consolidating and streamlining corporate structure and back office processing operations. The streamlining will be achieved by sharing resources in technology, marketing, distribution channel management, customer services, documentation processing and accounting with other business lines within the Group.

In addition, the Group is committed to maintaining prudent operations through balancing value creation and business scale expansion by optimising and optimally allocating resources which would enhance the efficiency of the Group's operations. By balancing these two objectives, the Group aims to achieve robust high quality growth of its businesses.

Strengthen distribution networks, expand distribution coverage and continue to develop the Group's individual agent channel

The Group has established major distribution channels, namely, individual agent, bancassurance, internet, group distribution and telemarketing channels, with its individual agent and bancassurance channels accounting for most of the Group's sales. The Group will continue to develop new and more diversified distribution channels to complement and strengthen its core agency channels in order to achieve deeper penetration and broader reach within and across regions and markets.

In particular, the Group has focused on strengthening its individual agencies' team management and has as a result built solid foundations. Through quality training provided by the Group, it has also seen a continuous increase in the productivity per capita of its agents. All these have translated into increased sales of the Group's products. Going forward, the Group intends to continue to strengthen its core agency distribution channel by increasing its agency force and productivity.

Focused development of the Group's featured products

The Group operates an industry-leading senior care business and has developed a model connecting life insurance with senior care communities, providing integrated retirement solutions for the elderly. As such, the Group deliberately develops and operates senior care housing projects in the PRC and internationally, with 6 domestic projects in Shenyang, Beijing, Ji'nan, Hefei, Wuhan and Nanning and 15 senior care communities in Colorado, Portland, Virginia, Texas and Wisconsin in the United States. The Group's integrated senior and medical care model facilities created synergies and facilitated cross-selling between the Group's continuing care retirement communities and its insurance sales. The Group intends to fully utilise its integrated senior and medical care model to enhance the Group's reputation and brand and plans to expand its senior care operations on a national scale.

Strengthen capital base to facilitate the Group's business development

The Group intends to keep Zhongfa Group as the key controlling shareholder while aiming to diversify its shareholding structure.

The Group plans to continue strengthening its capital base to ensure that sufficient funds are readily available to support its business development plans. In order to achieve this objective, the Group is in the process of finding strategic investors to reinforce its capital pool and pursue other financing initiatives to further optimise on the Group's capital replenishment structure.

Enhance talent development

Talent is key to the Group's future success. The Group seeks to attract and retain the most talented individuals in the insurance industry, improve their skills and productivity and provide them with career development opportunities through advanced human resources management. The Group aims to cultivate a workforce modelled on the Group's values and which is also highly driven and adequately compensated.

In particular, the Group intends to pursue the following strategies:

- The Group intends to strengthen the implementation of its sales team enhancement strategies. The Group intends to further emphasise sales force development by giving additional policy, resource, human resource and training support.

- The Group intends to increase both the scale, productivity and cross-selling capabilities of its sales team by strengthening education and training and establishing new educational systems through joint efforts by the Group's professional development department and individual agents and bancassurance channel staff.

• The Group intends to unlock greater productivity of the Group's sales force by giving the Group's sale force greater management responsibilities and encouraging their entrepreneurial spirit.

THE GROUP'S INSURANCE BUSINESS

The Group offers life insurance, health insurance and accident insurance products to individuals and groups. The Group has a large distribution force with an extensive geographic reach. As at 31 December 2015, the Group had approximately 2.3 million long-term in-force customers.

The Group believes that its integrated operations in terms of geography, sectors and products, coupled with its premier brand name, capacity for cross-selling across multiple business sectors, extensive multi-channel distribution network and track record of innovation, collectively help to sustain its market position in the financial markets, and capture the growth demand for insurance and other financial products in the PRC.

As at 31 December 2013, 2014 and 2015, the embedded value of the Company was RMB3,041 million, RMB4,933 million and RMB9,464 million, respectively.

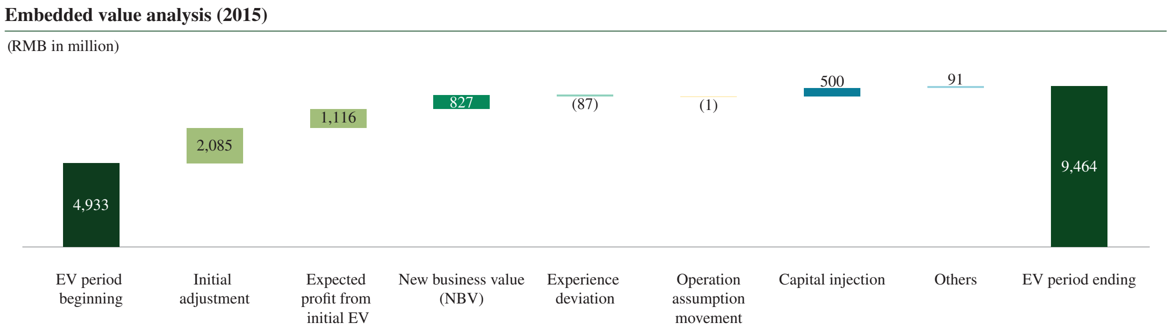
The following table sets out the composition of embedded value of the Group as at 31 December 2015.

(RMB in millions)

Risk discount rate	10.0%	11.5%	12.5%
Adjusted net worth	1,664	1,664	1,664
Value of in-force insurance business	9,652	8,768	8,273
Cost of capital	(856)	(968)	(1,030)
Embedded value	10,459	9,464	8,907

Note: risk discount rate at 11.5% is the base scenario.

The following table sets out embedded value analysis for the year ended 31 December 2015.



The following table sets out one year NBV for the year ended 31 December 2015.

(RMB in millions)

Risk discount rate	10.0%	11.5%	12.5%
VONB before cost of capital	1,107	982	892
Less: cost of capital	(137)	(155)	(165)
VONB	970	827	727

The following table sets out EV sensitivity analysis for the year ended 31 December 2015.

(RMB in millions)

Risk discount rate	11.5%
Base scenario	9,464
Maintenance expense +10%	9,402
Maintenance expense - 10%	9,525
Required capital as 150% solvency margin	8,980

Life Insurance

The Group has established a suite of comprehensive products after years of dedicated product development. The Group offers life insurance and annuity products to individuals and groups.

Products

The Group offers a wide variety of life insurance and annuity products to individuals, providing a wide range of coverage for the whole length of a policyholder's life. The Group's individual life insurance and annuity products consist of whole life and term life insurance, endowment insurance, annuities, universal life insurance and investment-linked life insurance. The Group also offers group annuity products and term life insurance products to enterprises and institutions. The Group bundles these products to serve as part of its group customers' overall employee benefit plans. The Group also markets each group product as an independent product.

The Group offers both non-participating and participating products. The premiums for non-participating policies and participating policies as of 31 December 2015 totalled RMB7,205 million and RMB5,133 million, respectively.

The following table sets forth the composition of gross written premiums and APE of life insurance products for the year ended 31 December 2015:

Product	Type	Gross Written Premiums Contribution	APE Contribution
Endowment	Traditional	40.6%	23.0%
	Participating	26.0%	51.8%
Annuity	Traditional	5.2%	4.2%
	Participating	10.1%	1.0%
Whole life	Participating	5.6%	0.3%
Term life	Traditional	0.1%	0.1%
Accident		1.3%	1.1%
Health		11.0%	18.6%

Whole Life and Term Life Insurance

Participating whole life insurance

The Group also offers participating whole life insurance products, which are traditional whole life insurance policies that also provide a participation feature in the form of dividends. The policyholder is entitled to a portion of the distributable earnings from participating products, as determined by the Group based on formulas prescribed by the CIRC. Under guidelines issued by the CIRC, the dividends must be no less than 70% of the distributable earnings from participating products. Policyholders may receive dividends in cash or apply them to increase death benefits or cash values available upon surrender.

The Group offers participating whole life insurance products only to individual customers.

Non-participating whole life and term life insurance

The Group offers non-participating whole life and term life insurance products.

Non-participating whole life insurance products provide a guaranteed benefit, pre-determined by the contract, upon the death of the insured, in return for the periodic payment of fixed premiums over a predetermined period of time. Premium payments may be required for the length of the contract period, to a specified age or for a specified period, and are typically level throughout the period.

Non-participating term life insurance products provide a guaranteed benefit upon the death of the insured within a specified time period in return for the periodic payment of fixed premiums. Specified coverage periods generally range from five to 30 years or expire at specified ages. Death benefits may be level over the period or increasing. Premiums are typically at a level amount for the coverage period. Term life insurance products are sometimes referred to as pure protection products, in that there are normally little or no savings or investment elements. Unlike endowment products, term life insurance policies expire without value at the end of the coverage period if the insured person is still alive.

Endowment

Non-participating endowment products

Non-participating endowment products provide the insured with various guaranteed benefits if the insured survives specified maturity dates or periods stated in the policy, and provide a beneficiary designated by the insured with guaranteed benefits upon the death of the insured within the coverage period, in return for the periodic payment of premiums. Specified coverage periods generally range from five to 30 years or end at specified ages. Premiums are typically at a level amount for the coverage period.

Participating endowment products

The Group also offers participating endowment products, which are endowment policies that also provide a participation feature in the form of dividends. Policyholders are entitled to share a portion of the distributable earnings from participating products, as determined by the Group based on formulas prescribed by the CIRC. Under guidelines issued by the CIRC, the dividends must be no less than 70% of the distributable earnings from participating products. Policyholders may receive dividends in cash or apply them to increase death benefits or cash values available upon surrender. Participating endowment products are among the most popular individual life insurance products in China.

The Group offers endowment products only to individual customers.

Annuities

Annuities are used for both asset accumulation and asset distribution needs. Annuitants pay premiums into the Group's accounts, and receive guaranteed level payments during the payoff period specified in the contracts. The Group offers both non-participating and participating annuities. For non-participating annuity products, risks associated with the investments are borne generally by the Group. A significant portion of the Group's non-participating annuity products imposes charges upon an early surrender or withdrawal of the contract.

Participating annuity products are annuities that provide a participation feature in the form of dividends. The dividends are determined by the Group in the same manner as its life insurance policies. Annuitants may receive dividends in cash or apply them to increase annuity benefits or reduce the premiums or deposits required to maintain the contract in force. Like non-participating annuities, a significant portion of the Group's participating annuity products imposes charges upon an early surrender or withdrawal of the contract.

The Group also offers participating group annuities. In the Group's participating group annuities, interest on an annuitant's deposits is either credited to the participating employee's personal account or credited to the participating employee's personal account as well as the employer's group account. The annuitant is entitled to share a portion of the Group's distributable earnings derived from its participating products, as determined by the Group based on formulas prescribed by the CIRC, in excess of the rate the Group guarantee to participating employees.

Other Life Insurance Products

(a) Universal Life Products

Universal life products are life insurance policies where the policyholder pays a flexible premium that are accumulated in an account balance which is credited with an investment return. For each universal life policy, the Group establishes a separate account and determine the interest credit rate, mortality and expense charges specifically for such account. The benefits of universal life products are linked to the account value of each separate account. The contract of a universal life product is split into insured and non-insured sections, with the insured section guaranteeing insurance income and the non-insured section bearing the investment contract liability. Management fees for managing customer accounts in relation to the investment activities of that account are also charged in the non-insured account.

The Group launched different kinds of double-account universal life products in 2008. These products consist of one aggressive-investment account and one conservative-investment account. Different accounts have different minimum guaranteed rates and asset allocations, and provide the customer with flexibility to change accounts.

(b) Investment-Linked Insurance Products

Investment-linked insurance products require policyholders to pay unfixed insurance premiums, linked to the value of underlying investments or fluctuations in the value of underlying investments or indices. In general, the investment risk associated with such products is borne by policyholders. Insurance coverage, investment and administration services are provided to the policyholders with the relevant charges being deducted from the investment fund assets.

The investment-linked insurance products only account for a minor portion of the individual life insurance business. The Group will make adjustments to the proportion of investment-linked insurance products according to market demand.

Health Insurance

The Group offers a broad array of health insurance products and services to individuals and groups, including long-term health insurance and short-term health insurance.

The Group's health insurance business shares its nationwide life insurance sales force and distribution network of individual agents. The Group's policy review and claim adjustment processes are facilitated through a team of supporting personnel with medical background.

The Group offers health insurance products with high margins and high new business value to both individuals and groups. The Group classifies its health insurance products as short-term products, with policy terms of less than or up to one year, and long-term products, with policy terms longer than one year and normally for a period of 10 to 30 years. The Group currently offers a wide range of both short-term and long-term critical illness health insurance plans to individuals and groups, for example, products specifically designed for the underaged, as well as products which make adjustments to the types of critical illnesses coverage in accordance with the insured's age. The Group's main health insurance products are disease-specific plans. These plans provide a fixed payment based on the number of days of hospitalization for specific diseases or surgical operations. Policyholders either pay premiums in a single payment or on a periodic basis. The Group also provides defined health benefit plans and medical expense reimbursement plans.

The health insurance gross written premiums totalled RMB657.6 million, RMB907.1 million and RMB1,355.8 million for the years ended 31 December 2013, 2014 and 2015, constituting 1.0%, 7.7% and 11.0% of the total gross written premiums for those periods, respectively. Health Insurance products' contribution to APE increased from 11% in 2014 to 19% in 2015.

Accidental Insurance

The Group offers a broad array of accidental insurance products to both individuals and groups.

Individual accidental insurance

The Group's individual accidental insurance products usually provide a guaranteed benefit in the event of death or disability of the insured party as a result of an accident during the policy period, or a reimbursement of medical expenses to the insured in connection with an accident. A death benefit is paid if the insured dies as a result of the accident, and a disability benefit is paid if the insured is disabled, with the benefit depending on the extent of the disability.

Group accidental insurance

The Group's group accidental insurance products are mainly short-term insurance products, and normally include life insurance, health insurance and accident insurance. The Group offers a number of group accidental insurance products and services to businesses, government agencies and other organisations of various sizes.

The Group's accidental insurance gross written premiums totalled RMB102.5 million, RMB118.1 million and RMB159.0 million for the years ended 31 December 2013, 2014 and 2015, respectively, representing a CAGR of 24.5%.

DISTRIBUTION CHANNELS

The following is a breakdown of gross written premiums for the Group's insurance products by distribution channel for the years indicated:

Distribution network	**For the year ended 31 December 2013**	**Proportion**	**For the year ended 31 December 2014**	**Proportion**	**For the year ended 31 December 2015**	**Proportion**
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Individual agent channel	4,257	61.5	4,771	40.5	6,082.4	49.3
Bancassurance channel	2,185	31.6	6,352	53.9	5,453.2	44.2
Internet channel	208	3.0	367	3.1	456.5	3.7
Group distribution channel	257	3.7	259	2.2	308.4	2.5
Telemarketing channel	18	0.3	27	0.2	37.0	0.3
Total	6,926	100.0	11,776	100.0	12,337.5	100.0

Individual agent channel

The Group has continuously focused on strengthening its individual agents team. As at 31 December 2015, the Group's individual agency force consisted of approximately 58,000 agents. According to Yearbook of China's Insurance, the Group ranked 9th in terms of contribution of gross written premiums contributed from individual agent channel to the total gross written premiums in 2014.

The agents operate out of the Group's branch networks and sell products exclusively for the Group. The Group has focused on recruiting and training quality agents with an emphasis on academic qualifications and experience. Many of the Group's life insurance agents (approximately 31%) are educated to college level or higher. Once recruited, the agents are given a high standard training. Agents are divided into three levels, namely new joiners, associates and managers, with different levels of remuneration. For the years ended 31 December 2013, 2014 and 2015, the new business value generated from the Group's individual agent channel amounted to RMB436 million, RMB501 million and RMB771 million, respectively. Gross premiums written through its individual agents increased from RMB4,257 million in 2013 to RMB6,083 million in 2015, representing an increase of 42.9%. The NBP increased by 84.5% from RMB954 million in 2013 to RMB1,760 million in 2015. The APE increased from RMB904 million in 2013 to RMB1,753 million in 2015. First year regular premiums from individual agent channel increased by 95% from RMB898 million for the year ended 31 December 2013 to RMB1,753 million for the year ended 31 December 2015. As agents mature and gain experience, their productivity will gradually improve, allowing the Group's per capita production to continue to increase. As at 31 December 2013, 2014 and 2015, the number of individual agents was 28,831, 38,402 and 58,148, respectively. For the years ended 31 December 2013, 2014 and 2015, the NBP per agent was RMB30,346, RMB29,409 and RMB40,562, respectively.

The Group has established a balanced geographic distribution of premiums. The following table sets forth the geographic breakdown of NBP contributed from individual agent channel during the year of 2015[1]:

	NBP Distribution
Central China	24%
West China	22%
Bohai Rim	18%
Yangtze River Delta	18%
Northeast China	13%
Pearl River Delta	5%

Note:

(1) Central China: including Shanxi, Henan, Hubei, Anhui, Hunan and Jiangxi branches;
West China: including Inner Mongolia, Ningxia, Shaanxi, Sichuan, Guangxi and Xinjiang branches;
Bohai Rim: including Beijing, Tianjin, Dalian, Hebei, Shandong and Qingdao branches;
Yangtze River Delta: including Jiangsu, Zhejiang and Shanghai branches;
Northeast China: including Heilongjiang, Liaoning and Jilin branches;
Pearl River Delta: including Guangdong and Fujian branches.

Bancassurance channel

Bancassurance is currently one of the Group's major distribution channels. The Group has built up strong distribution partnerships with top-tier banks in China, including Agricultural Bank of China, Bank of China, Bank of Communications, China Construction Bank, Industrial and Commercial Bank of China, and Postal Savings Bank of China. Postal Savings Bank of China, one of China's largest banks in terms of number of outlets and retail customers, is the Group's single largest distributor in the bancassurance channel.

Although bancassurance is one of the Group's major distribution channels, the Group intends to control its size and pace of development. It has adopted a differentiated strategy targeting protection-type products with high margins.

The number of bancassurance sale executives of the Group was 1,092, 920 and 750 at 31 December 2013, 2014 and 2015, respectively, and TWP for the years ended 31 December 2013, 2014 and 2015 was RMB9,518 million, RMB12,753 million and RMB10,578 million, respectively.

Internet distribution channel

The Group has been selling insurance products through its official website since 2011. The Group is an industry pioneer in the internet channel and has achieved a CAGR of 47% in gross written premiums from internet channel from 2013 to 2015. It has built up a well recognised brand and a leading position in differentiated product lines such as travel accident insurance. According to the Insurance Association of China, it ranked sixth in terms of the number of policies sold through the internet channel and ninth in terms of premiums generated from protection-type products sold through the internet channel in 2015. The Group has also been selling insurance products, including accident and health insurance products through third-party internet-based sales platforms such as Qunnar.com, Tmall.com, 51book.com, Auib.com.cn, Zhongmin.cn, 51maipiao.cn, Taobao.com and Zhongsheng International Insurance Brokers Co., Ltd. since 2011.

Group distribution channel

The Group primarily sells accident and health insurance products together with traditional term life insurance products through its own group distribution channel and key ancillary channel for the individual agent channel to achieve cross-selling synergy. The Group launched Bless Card, a newly launched certificate in the group distribution channel for individual policyholders, with a wide coverage of customer groups, and a flexible combination of accident and health insurance product offerings.

Telemarketing channel

The telemarketing channel of the Group is currently in its early growth stage with one telemarketing centre and 228 representatives at the end of 2015. The telemarketing channel primarily focuses on regular premium products, including 4 regular premium products that cover critical illness, endowment and accident insurance products.

INVESTMENTS

The Group adheres to the principles of value investment and prudent management and emphasizes on security, return, liquidity and asset-liability-matching of its investment practices to achieve stable returns with well-controlled risks. The largest portion within the current portfolio comprises fixed income assets with AAA or equivalent credit ratings. The Group's investment assets as at 31 December 2013, 2014 and 2015 amounted to RMB45.3 billion, RMB56.9 billion and RMB62.3 billion, respectively. For the years ended 31 December 2013, 2014 and 2015, the Group's total investment yield was 9.1%, 6.5% and 6.9%, respectively. The portion of Group's investment in equity related securities is relatively small.

As at 31 December 2015, the Group had RMB62.3 billion of investment assets. According to relevant insurance regulations in China, the Group may invest insurance premiums and other insurance funds in five categories of investment assets, including liquidity assets, fixed income assets, equity assets, real properties and other financial assets, all as defined by the CIRC and subject to various limitations. As at 31 December 2015, the Group has invested its insurance premiums and other insurance funds in bonds, trust schemes, debt investment schemes, equity interests, securities investment funds, real properties and other financial products.

Union Asset Management, an asset management company incorporated in 2012, is retained by the Group as a trustee to manage the Group's investments. The investments of the Group are generally entrusted to Union Asset Management which has established a well-organised structure and an experienced investment team to provide high quality investment management services to the Group. See "– *Asset Management Business*".

The Group has established an effective investment decision process that includes rigorous internal control policies to prevent operational risks and is also flexible to cater to the ever-changing markets. The Group's comprehensive investment management mechanism involves various levels of investment control. The Company's Investment Decision Committee under the Board of Directors is responsible for reviewing measures on fund management, key investment projects, annual investment plan, guidelines, strategies and operations of new investment categories. The Company's Asset Liability Management Committee is authorised by the board of directors to review proposals and make asset liability management and investment decisions. Union Asset Management's Investment Management Committee is responsible for formulating asset allocation plans and determining on investment target, directions and scale according to the investment guidance.

The Group is actively conducting asset-liabilities management to minimise the cost of capital and to maximise investment return. The average duration of fixed-income assets was 4.6 years, and that of insurance liabilities was 13.7 years as of 31 December 2015.

The following table summarises information concerning the Group's investment assets as at 31 December 2013, 2014 and 2015.

	As of 31 December					
	2013		2014		2015	
	(RMB in millions)	*% of total*	*(RMB in millions)*	*% of total*	*(RMB in millions)*	*% of total*
	(RMB in millions, except for percentages)					
Cash and bank balances	2,100.7	4.6	2,318.1	4.1	2,348.3	3.8
Financial assets at fair value through profit or loss	1,497.9	3.3	2,140.6	3.8	6,834.9	11.0
Reverse-REPO financial assets	567.4	1.3	36.0	0.1	710.5	1.1
Policy holder pledge loan	391.2	0.9	498.8	1.0	731.7	1.2
Term deposits	6,139.2	13.6	5,956.2	10.5	6,082.2	9.8
Available-for-sale financial assets	2,116.0	4.7	6,864.7	12.1	7,866.9	12.6
Held-to-maturity investments	19,000.7	42.0	18,762.1	33.0	17,917.2	28.8
Investments classified as loans and receivables	2,833.0	6.3	9,268.2	16.3	8,141.8	13.1
Long-term equity investments	36.2	0.1	30.3	0.1	72.3	0.1
Debt investments plans	1,985.4	4.4	1,821.4	3.2	1,530.7	2.5
Refundable capital guarantee deposits	557.6	1.2	582.6	1.0	722.6	1.2
Investment properties	8,092.7	17.9	8,634.3	15.2	9,370.6	15.0
Total investment assets	45,318.0	100.0	56,913.3	100.0	62,329.7	100.0

Investment yields

The Group's total return on investments[(1)] for the years ended 31 December 2013, 2014 and 2015 were 9.1%, 6.5% and 6.9%, respectively.

The Group's net return on investments[(2)] for the years ended 31 December 2013, 2014 and 2015 were 4.5%, 5.3% and 4.9%, respectively.

Financial assets at fair value through profit and loss

The financial assets at fair value through profit and loss for the year ended 31 December 2013, 2014 and 2015 were RMB1,497.9 million, RMB2,140.6 million and RMB6,834.9 million, respectively.

The following table indicates the financial assets at fair value through profit and loss as at the dates indicated below.

	For the year ended 31 December		
	2013	**2014**	**2015**
		(RMB in millions)	
Bond investments			
Enterprise bond	595.7	291.0	981.5
Equity instrument investments			
Funds	793.1	1,441.9	5,853.4
Stocks	109.1	407.7	–
Total	1,497.9	2,140.6	6,834.9

Notes:

(1) Total return on investment = total investment income/average balance of investment assets at beginning and end of the period; Total investment income comprises investment income, fair value gains or losses, investment property rental income, policy loans interest income and demand deposits interest income.

(2) Net return on investment = net investment income/average balance of investment assets at beginning and end of the period. Net investment income comprises interest income, dividends income and investment property rental income; Repos have been deducted from investment assets.

Term deposits

Term deposits consist principally of term deposits with Chinese commercial banking institutions and represented 13.6%, 10.5% and 9.8% of the Group's total investment assets as at 31 December 2013, 2014 and 2015, respectively.

The Group generally makes term deposits with state-owned commercial banks and large joint stock commercial banks. The terms of the term deposits vary. Normally the Group will renegotiate terms with the banks upon prepayment, including the methods for the calculation of accrued interest, if any. The Group makes large term deposits to obtain higher yields than those ordinarily being obtained with regular deposits.

Available-for-sale financial assets

The following table sets forth available-for-sale financial assets, as at the dates indicated.

	As at 31 December		
	2013	**2014**	**2015**
		(RMB in millions)	
Available-for-sale bond:			
Enterprise bond	1,312.0	5,282.4	5,962.8
Available-for-sale equity instruments:			
Funds	5.6	140.0	476.4
Stocks	198.3	842.5	827.6
Other equity instruments	600.0	600.0	600.0
Total	2,116.0	6,864.7	7,866.9

Held-to-maturity investments

The following table sets forth the fair value of held-to-maturity investments, as at the dates indicated.

	As of 31 December					
	2013		2014		2015	
	Carrying amount	% of total	Carrying amount	% of total	Carrying amount	% of total
	(RMB million, except for percentages)					
Held-to-maturity investments						
Government bonds	21.6	0.1	21.5	0.1	21.4	0.1
Financial bonds	6,374.1	33.6	6,221.9	33.2	6,169.0	34.4
Enterprise bonds	7,317.7	38.5	7,302.8	38.9	6,852.5	38.3
Subordinated bonds	5,287.3	27.8	5,215.8	27.8	4,874.4	27.2
Total	19,000.7	100.0	18,762.1	100.0	17,917.2	100.0

The Group's investments in debt securities are subject to strict restrictions under relevant Chinese regulation. The Group diversifies its enterprise bonds by industry and issuer. The Group's enterprise bonds portfolio does not have significant exposure to a single industry or issuer.

Investments classified as loans and receivables

The Group's Investments classified as loans and receivables consist mainly of its investment in equity investment plans and trust investment plan. While improving investment yield and achieving asset-liability-match through investments classified as loans and receivables, the Group places great emphasis on target selection and risk control. Clear investment standards have been established and strict decision process in addition to regulatory requirements is in place to ensure the implementation of standards. As at 31 December 2013, 2014 and 2015, the total amount of the Group's investment in equity investment plans was RMB333.0 million, RMB833.0 million and RMB500.0 million, respectively. The Group started to invest in trust investment plan in 2013. As at 31 December 2013, 2014 and 2015, the total amount of the Group's investment in trust investment plan was RMB2,500.0 million, RMB8,435.2 million and RMB7,641.8 million, respectively.

Securities investment funds

The Group's fund investment has relatively low risks, as 99.9% of the funds are money-market funds, fixed-income funds and other low risk funds. Securities investment funds primarily consist of Chinese domestic investment funds that are managed by mutual fund management companies which invest in bonds, stocks and many other market instruments. The Group invests in both "closed-end" securities investment funds, in which the number of shares is fixed and the share value depends on the trading value, and "open-end" securities investment funds, in which the number of shares issued by the fund fluctuates and the share value is set by the value of the assets held by the fund. The Group's investments in securities investment funds are subject to strict restrictions under relevant Chinese regulations. The Group's holdings in securities investment funds comply with those restrictions.

Stocks

The Group has relatively low exposure to equities. Investments in stocks are mainly for hedging purposes consisting of investment in publicly offered and listed equity securities that are denominated and traded in Renminbi. The Group's investments in stocks are subject to strict restrictions under relevant Chinese regulations.

BUSINESS MANAGEMENT

Customer Support Management

The Group is committed to providing quality services to its customers and potential customers, and to be responsive to their needs through an extensive customer support network, both before and after the sale. The Group's customer service network is managed by specialised customer service departments, which are responsible for setting unified standards and procedures, providing policy-related services to customers, handling enquiries and complaints from customers and training customer services personnel.

The Group has built up an "iCare" focused corporate culture and placed great emphasis on providing innovative, customer centric, amicable, reliable and efficient customer services. The Group delivers customer services primarily through customer service units operating in the Group's branches, sub-branches and in service offices throughout China and a sophisticated telephone call centre network. The Group takes advantage of alternative customer services channels, such as cell phone messages and the internet, complementing the customer services provided by the customer service units and the call centre network. As at 31 December 2013, 2014 and 2015, the Group had approximately 51,000, 71,000 and 107,000 clients from its mobile application and WeChat.

Customer service units

The Group provides several types of policy-related services to its customers, which include collecting regular premiums, renewing policies, purchasing supplemental policies, reinstating lapsed policies, processing surrenders, increasing insured amounts, processing policy loans, paying benefits and updating information regarding holders and beneficiaries of policies. The Group requires the customer service units to provide these policy-related services in accordance with procedures and standards that it implements on a nationwide basis, helping to ensure the quality of the services provided. The Group also has unified service standards for customer service units nationwide. The Group also has a specialised customer service department to further refine customer services. The customer service department's role is to provide service to customers and supervise the quality of service provided by the customer service units.

Telephone call service centres

The Group's telephone call service centres allow customers to make product and service enquiries, file complaints, report claims and losses, make appointments and update the contact information regarding policyholders. They also provide call-back, greeting message and reminder call services to customers. With the dedicated, nationwide enquiry line, "95515", the Group's customers can reach the Group on a "24 hours/7 days" basis.

The Group believes its call centres have become popular with its customers because of the quality of services the Group provides. The Group has established system-wide standards for its call centres, which the Group monitors periodically through regular call quality monitoring and customer satisfaction surveys on the call centres. It will continue to ensure that it has a sufficient number of lines and staff to service the increasing use of the call centres.

Cell phone message services

The Group utilises cell phone services to make instant contact with its customers and sales people. The Group can send short messages to its customers all over China, conveying such information as birthday and holiday greetings, premium payment notices and premium payment confirmations.

Internet-based services

The Group uses internet technology as a basis for innovation. The Group's customers can utilise its internet-based services for enquiries, complaints and service requests through its website (www.unionlife.com.cn). The Group also uses emails to send messages to its customers all over China, conveying such information as birthday and holiday greetings, premium payment notices and premium payment confirmations.

Underwriting and Pricing

The Group's individual and group insurance underwriting involves the evaluation of applications and potential risk for life, accident and health insurance products by a professional staff of underwriters and actuaries, who determines the type and the amount of risk that it is willing to accept. The Group has established qualification requirements and review procedures for its underwriting professionals. The Group employs detailed underwriting policies, guidelines and procedures designed to assist its underwriters to assess and quantify risks before issuing a policy to qualified applicants.

The application evaluation process determines the risk related to a particular applicant, including morality risk, the incidence of critical illnesses and the risk of insurance fraud, and whether it is consistent with the level of risk that the Group is willing to bear. The Group generally evaluates the risk characteristics of each prospective insured. Requests for coverage are reviewed on their merits, the type of insurance and the insured amount, and a policy is not issued unless the particular risk has been examined and approved for underwriting.

The Group has different authorisation limits and procedures depending on the amount of the claim. The Group also has authorisation limits for personnel depending on their level of qualifications.

In order to maintain high standards of underwriting quality and consistency, the Group engages in periodic internal underwriting audits.

Individual and group product pricing reflects the Group's insurance underwriting standards. Product pricing on insurance products is based on the expected payout of benefits, calculated through the use of mortality table, morbidity, expenses and investment returns. Those assumptions and other assumptions for calculating the margin for expected profitability are based on the Group's own experience, third party consultation, the experience of reinsurance companies and published data from other institutions.

Claims Management

The Group has established a professional claims processing system. The Group manages the claims from policyholders through its claims verification staff at its headquarters and branch offices. The Group's life insurance claim adjuster uses a standardised set of rules and procedures for settling claims. Typically, upon receiving a claim, a claim adjuster will verify firstly if all materials supporting the claim have been submitted; if so, the claim and its materials will be forwarded to the liability department to confirm liability and to determine whether a claim investigation is needed. Upon confirming the validity of the claim and insurance liability, the amount payable to the policyholder will be calculated, and the claim will be paid upon completion of approval procedure.

The Group manages claims management risk through organisational controls and computer systems controls. The Group's organisational controls include: (i) specific limits on authorisation for branches at different levels; (ii) periodic case inspection and special inspections in particular situations by risk management bodies at all levels of the Group's organisation; and (iii) expense mechanisms linking payout ratios of short-term insurance policies and expense ratios of branches. The Group also periodically provides training to its claims verification personnel and conducts appraisals of their performance. The Group's claims management procedure is strictly processed with computers to streamline claims verification and handling.

Reinsurance

The reinsurance agreements the Group has entered into spread the risk and reduce the effect on the Group of potential losses. Under the terms of such reinsurance agreements, the reinsurer agrees to assume liabilities for the insured, or ceded, amount in the event the claim is paid. However, the Group remains liable to its policyholders if the reinsurer fails to meet the obligations assumed by it. The Group has entered into various such reinsurance agreements with domestic and international reinsurers with high credit ratings, including Hannover Re, Swiss Re, Munich Reinsurance Company, China Life Reinsurance Company Limited, General Reinsurance AG and Mapfre Re.

The Group also accepts external auditing of the reinsurance business by its reinsurers.

ASSET MANAGEMENT BUSINESS

The Company and Zhongfa Group established Union Asset Management for the purpose of operating the asset management business more professionally in a separate entity and to better attract and retain qualified investment management professionals. Union Asset Management owned a registered capital of RMB200 million, and the Company holds 95% of the issued share capital of Union Asset Management. As of 31 December 2015, it had 98 employees with 60% of them holding a postgraduate degree and 17 employees with an overseas educational background.

Union Asset Management has comprehensive business qualifications, covering equities trading, credit debt investments, equity investments, stock and futures investment, as well as qualifications to develop infrastructure investment plans and real estate investment product innovation programmes. Union Asset Management also has qualifications to be entrusted with the management of insurance funds and insurance asset management products business. Union Asset Management manages the Group's investment assets. For a description of the Group's investment assets, see "– *Investments*".

PROPERTY AND CASUALTY INSURANCE BUSINESS

In January 2015, the Company and Zhongfa Group established Union P&C, a nationwide property and casualty insurance company currently selling motor vehicle insurance products. Union P&C was incorporated with a registered capital of RMB200 million, and the Company holds 99% of the issued share capital of Union P&C. In April 2016, the China Insurance Regulatory Commission approved an increase of registered capital to RMB400 million, and the Company holds 99.5% of the share capital. As at 31 December 2015, Union P&C had 44 employees. For the period from its incorporation to 31 December 2015, the gross written premium of Union P&C amounted to RMB3.3 million.

SENIOR CARE BUSINESS

The Group operates an industry-leading senior care business and has developed a model connecting life insurance with senior care communities, providing integrated retirement solutions for the elderly. As such, the Group deliberately develops and operates senior care housing projects in the PRC and internationally, with 6 domestic projects in Shenyang, Beijing, Ji'nan, Hefei, Wuhan and Nanning and 15 senior care communities in Colorado, Portland, Virginia, Texas and Wisconsin in the United States. Such assets with long duration and high yield are beneficial to the asset-liability-match of the Group.

COMPETITION

The Group competes primarily against domestic and foreign-invested life insurance companies. Although life insurance industry in the PRC continues to grow at a fast pace and becomes increasingly competitive, the Group maintains excellent profitability and occupies a competitive market position after years of steady growth. For example, despite strong competition in agent recruitment and industry-wide difficulty in attracting high quality agents, the Group has been able to maintain a sizable and productive agency force.

The Group also faces potential competition in the PRC from commercial banks and other financial services providers, which may be able to invest in, or form alliances with, existing insurance companies to offer insurance products and services that compete against the Group. For example, these financial service providers may be permitted to manage employer-sponsored defined contribution pension plans, which may compete directly with the Group's annuity products. Some large corporate groups in the PRC with substantial insurance needs have established their own self-insurance subsidiaries, which may pose challenges to the Group in growing its customer base and building up its market position. See "*Risk Factors – Risks Relating to the PRC Life Insurance Industry – Competition in the Chinese insurance industry is expected to increase, which may materially and adversely affect the growth of the Group's business*".

Despite increasing competition, the Group believes it will continue to improve its competitiveness by continuous development of its back-stage management and enhancement of efficiency of operation.

TRADEMARKS

The Group conducts its business under the "Union Life (合眾人壽)" brand name (in English and Chinese), the "Union" logos and other business related slogans and logos. As at the date of this Offering Circular, the Group is not aware of any material incidence of intellectual property rights infringement claims or litigation initiated by others and vice versa.

EMPLOYEES

As at 31 December 2015, the Group had approximately 6,809 employees. The following table sets forth the number of the Group's employees by their functions as of 31 December 2015.

	As of 31 December 2015	
	Number of employees	% of total
Management and administrative staff	1,781	26.2
Financial and auditing staff	323	4.7
Sales and marketing staff[1]	3,198	47.0
Underwriters, claim specialists and customer service staff	634	9.3
Other professional and technical staff[2]	873	12.8
Total	**6,809**	**100.0**

Notes:

(1) Excludes direct sales representatives.

(2) Includes actuaries, product development personnel, investment management personnel and information technology specialists.

LEGAL AND REGULATORY PROCEEDINGS

The Group is from time to time involved in certain legal proceedings concerning matters arising in the ordinary course of its business. In addition, the CIRC, as well as other PRC governmental agencies, including tax, commerce and industrial administration and audit bureaus, from time to time make inquiries and conduct examinations, audits or investigations concerning the Group's compliance with PRC laws and regulations. These litigation, arbitration and administrative proceedings have in the past resulted in damage awards, settlements or administrative sanctions, including fines, which have not been material to the Group. While the Group cannot predict the outcome of any pending or future litigation, arbitration, examination or investigation, the Group does not believe that any pending legal matter will have a material adverse effect on its business, financial condition or results of operations. However, the Group cannot assure you that any future litigation, arbitration or regulatory proceeding will not have an adverse outcome, which could have a material adverse effect on the Group's operating results or cash flows.

The Group currently has control procedures in place to monitor its litigation, arbitration and regulatory exposure. The Group has established a systematic prevention system whereby its management at each corporate level is responsible for compliance with laws, regulations and internal codes of conduct within their individual territories or departments. The Group's branches at the provincial level are required to report material litigation, arbitration and regulatory matters to its corporate headquarters on a timely basis. The Group plans to continue to improve its control and compliance policies in the future. For more details, please see "*Risk Factors – Risks relating to the Group's Business – Current or future litigation, arbitration and regulatory proceedings could result in financial losses or harm the Group's businesses*".

The Group may penalise its employees or individual agents who commit misconduct or fraud, breach the terms of their employment or agency agreements, exceed their authorisation limits or fail to follow prescribed procedures in delivering insurance policies and premium payments, in each case having regard to the severity of the offence. Employees or individual agents are required to reimburse the Group for any losses suffered by the Group resulting from their misconduct or fraud. In serious cases, the Group may terminate their employment or agency agreements. The Group reports criminal offences to the PRC authorities and may also bring concurrent civil actions against employees or individual agents. The Group has experienced agent and employee misconduct that has resulted in litigation, arbitration and administrative actions against the Group and these agents and employees, and in some cases criminal proceedings and convictions against the agent or employee in question. None of these actions has resulted in material losses, damages, fines or other sanctions against the Group. There is no assurance, however, that agent or employee misconduct will not lead to a material adverse effect on the Group's business, results of operations or financial condition. For more details, please see "*Risk Factors – Risks relating to the Group's Business – Agent and employee misconduct is difficult to detect and deter and could harm the Group's reputation or lead to regulatory sanctions or litigation costs*".

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

The following table sets forth information relating to the Company's directors:

Name	Age	Title
Mr. DAI Hao	51	Chairman, Non-executive Director
Mr. CHEUNG Chun Tong	55	Executive Director
Mr. WEI Hualin	67	Non-executive Director
Ms. LI Yanqing	63	Non-executive Director
Mr. TAN Bo	53	Non-executive Director
Mr. CHANG Haichun	62	Non-executive Director
Mr. LI Kun	61	Non-executive Director and Secretary of the Board of Directors
Mr. Marco MUSSITA	57	Non-executive Director
Mr. KUMATA Kyoji	62	Non-executive Director
Mr. ZHOU Tierui	63	Independent Non-executive Director
Mr. CUI Xinjian	54	Independent Non-executive Director
Ms. ZHANG Lihong	48	Independent Non-executive Director

Chairman

Mr. DAI Hao, aged 51, has served as the Chairman of the Board of Directors of the Company since February 2005. He also serves as the president and the chairman of the board of directors of Zhongfa Group. Mr. Dai has over 10 years of experience in the insurance industry. Mr. Dai is a member of Chinese People's Political Consultative Conference. He was awarded "National Insurance Model Worker" by Ministry of Human Resources and Social Security of the People's Republic of China in 2015, "Outstanding Contribution Award" by China Glory Society in 2014, and "Insurance Industry Figure" by China Insurance Brand Competitiveness Summit (中國保險業品牌競爭力高峰會) in 2011. He is also the chairman of Union AMC. Mr. Dai graduated from Wuhan University with an EMBA degree.

Executive Director

Mr. CHEUNG Chun Tong, aged 55, has served as a Director and the Deputy General Manager of the Company since March 2014. Mr. Cheung previously served as the assistant actuary in Manulife Financial Asia (宏利保險集團) and worked in Metropolitan Life Insurance Company NYSE, Greater China Division (美國大都會保險大中華區) and Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司). He has served as an actuary for 29 years with extensive experience in the insurance market in Canada, the United States, China, Hong Kong, Philippines, Indonesia, and Singapore. Mr. Cheung has obtained the actuaries qualification from Canada and the United States. Mr. Cheung graduated from University of Toronto with bachelor's degrees in Commerce, Actuary and Computer Science.

Non-executive Directors

Mr. WEI Hualin, aged 67, has served as a Director of the Company since January 2005. Mr. Wei is a director, professor and doctoral tutor of Insurance and Economy Research Institution of Wuhan University. Mr. Wei enjoys state council special allowance. Mr. Wei is also a member of Academic Degree Committee of the Graduate Insurance Education, a member of the Economics Teaching Guidance Committee of China Ministry of Education, and also a member of Academic Committee of China Finance Society. Mr. Wei also serves as the executive director of China Finance Society, the executive director of China Insurance Society, the vice president of the Insurance Society of Hubei Province, the economic adviser of Hubei Provincial Committee and a member of the Experts Committee of Hubei Province. Mr. Wei graduated from Wuhan University with a bachelor's degree in Economics.

Ms. LI Yanqing, aged 63, has served as a Director of the Company since June 2008. Ms. Li is also the chief financial officer of Zhongfa Group. Ms. Li previously served as a chief accountant of Harbin Certified Public Accountants (哈爾濱會計師事務所) and a partner of Wanlong Huajian Certified Public Accountants (萬隆華建會計師事務所). Ms. Li graduated from Harbin University of Amateur Workers.

Mr. TAN Bo, aged 53, has served as a Director of the Company since January 2005. Mr. Tan is also the deputy general manager of Hubei Defan Investment Company Limited (湖北德凡投資有限公司). Mr. Tan previously served as a teaching assistant of Harbin Shipment Engineering Institute (哈爾濱船舶工程學院) (now is named as Harbin Engineering University) and the section chief of Planning and Construction Section of Harbin Engineering University. Mr. Tan graduated from Harbin Institute of Marine Engineering with a bachelor's degree in Engineering.

Mr. CHANG Haichun, aged 62, has served as a Director of the Company since January 2005. Mr. Chang is the Certified Public Valuer of the People's Republic of China. Mr. Chang previously served as the general manager of Harbin No. 2 Tool Factory (哈爾濱第二工具廠分廠) and the deputy general manager of Pu Sheng Da Investment Company Limited (普盛達投資股份有限公司). Mr. Chang graduated from Northeast Heavy Machinery Institute with a bachelor's degree in Engineering.

Mr. LI Kun, aged 61, Mr. Li has served as the Secretary of the Board of Directors since April 2005 and the Deputy General Manger of the Company since August 2012, respectively. Mr. Li previously served as the office director of Harbin Motorcycle Factory (哈爾濱市摩托車製造廠), the office director of Harbin Metallurgy Research Institute (哈爾濱市冶金研究所實驗廠), the secretary of the president of Harbin Cable Factory (哈爾濱電纜廠), the head of business development department of Zhongfa Group and the secretary of the board office of Zhongfa Group. Mr. Li graduated from Beijing Institute of Technology, majoring in Business Administration.

Mr. Marco MUSSITA, aged 57, has served as a Director of the Company since June 2008. Mr. Mussita previously served as the sales executive of Skyho AG, Beijing Office, the sales executive of Ing. L. Dolci (Nord) Limited, an assistant representative of Banca Commerciale Italiana S.p.A, Beijing Office, the assistant vice president of Banca Commerciale Italiana S.p.A, New York Branch, a credit manager of Banca Commerciale Italiana S.p.A, Hong Kong Branch, the deputy general manager of Banca Commerciale Italiana S.p.A, Shanghai Branch and the deputy president of Banca d'Italia, Tokyo Branch. Mr. Mussita graduated from University of Venice with a bachelor's degree in Modern Chinese History.

Mr. KUMATA Kyoji, aged 62, has served as a Director of the Company since December 2007. Mr. Kumata is also the managing director of Taiyo Life Insurance Company (太陽生命保險株式會社). Mr. Kumata served as the manager of Securities Department of Taiyo Life Insurance Company, the general manager of Taiyo Life Insurance Company, Toyohashi Branch and also the manager of Risk Management Department. Mr. Kumata graduated from Doshisha University with a bachelor's degree in Economics.

Independent Non-executive Directors

Mr. ZHOU Tierui, aged 63, has served as an Independent Director of the Company since April 2014. He holds the qualification of senior auditor. Mr. Zhou has over 20 years of experience in auditing. He served as the division head of Monetary Audit, the division head of Non-profit Government Agencies Audit and the division head of Foreign Funds Audit at Jing-Jin-Ji Resident Office of the National Audit Office. Mr. Zhou graduated from China Central Radio and TV University with a bachelor's degree in finance.

Mr. CUI Xinjian, aged 54, has served as an Independent Director of the Company since March 2015. Mr. Cui served as the vice president and a professor of Central University of Finance and Economics, Business School, and a postdoctoral fellow of Nankai University, Centre for Transnationals' Studies. Mr. Cui's main research areas include business administration and applied economics, with a focus on the teaching and research of the management of cross-border companies and international direct investment, transnational research and development, corporate management and international marketing. Mr. Cui's course as a doctoral supervisor of Central University of Finance and Economics, International Marketing, is awarded as an "Excellent Course" among universities and colleges in Beijing. Mr. Cui received a doctor's degree in economics.

Ms. ZHANG Lihong, aged 48, has served as an Independent Director of the Company since June 2016. Ms. Zhang has served as the responsible person for projects entitled "The Multiple Ambiguity of Portfolio Selection and Capital Asset Pricing Model" (多重模糊性投資組合選擇及資本資產定價項目), "Fluctuation and Profit of Share Price" (股票的個體波動及收益項目), "Research on the Portfolio of an Insurance Company" (保險公司的投資組合問題的研究項目) and "Process of Insurance Information and Actuarial Theory" (保險信息處理與精算理論項目) for the National Natural Science Foundation of the PRC (the

"**NNSF**"). She also served as the key contact for projects entitled "Research on the Market Basis of Developing Reserve Mortgages" (老齡化背景下發展住房反抵押市場基礎性研究項目) and "Research on the Pricing of Financial Derivatives of the PRC under Short-sale Constraints" (賣空限制下中國金融衍生品定價及泡沫研究項目) for the NNSF. Ms. Zhang graduated from Chinese Academy of Science with a doctor's degree in Probability and Statistics.

Supervisors

Our Board of Supervisors consists of six members.

Name	Age	Title
Mr. TAO Cunwen	53	Chairman of the Board of Supervisors
Mr. CUI Zhaohui	50	Vice president of the Board of Supervisors
Ms. ZHANG Liping	67	Supervisor
Ms. YU Yang	52	Supervisor
Ms. LI Ran	40	Supervisor
Ms. ZHAN Ziling	46	Supervisor

Mr. TAO Cunwen, aged 53, has served as an Independent Director of the Company since April 2011, and is also the Chairman of the Board of Supervisors of the Company. Mr. Tao is a member of the China Democratic League. He served as a faculty member at the University of International Business and Economics (Insurance College), and also served as the vice president and a professor of the Central University of Finance and Economics, Insurance School. Mr. Tao graduated from Nan Kai University with a doctor's degree in economics.

Mr. CUI Zhaohui, aged 50, has served as the Vice President of the Board of Supervisors of the Company since 2015. Mr. Cui served as the General Director and the Head of the Chairman's Office of the Company, and also served as the general manager of Unionlife Insurance Company, Huilongjiang branch. He graduated from Harbin Institute of Technology with an MBA degree.

Ms. ZHANG Liping, aged 67, has served as a Supervisor of the Company since 2005. Ms. Zhang is an administration engineer. She served as the head of organization department, the head of party committee office and the head of Political Department of Harbin Ramie Textile Mill (哈爾濱市紡織廠), the chairman of board of supervisors and the executive vice president of Zhongfa Group and the Chairman of the Board of Supervisors of the Company. Ms. Zhang graduated from Heilongjiang Video & Television University with a bachelor's degree in Arts.

Ms. YU Yang, aged 52, has served as a Supervisor of the Company since 2008. Ms. Yu is an accountant. She has also served as the head of finance management centre of Zhongfa Group. Ms. Yu graduated from Harbin University of Science and Technology of Workers.

Ms. LI Ran, aged 40, has served as a Supervisor of the Company since 2014. She served at Heilongjiang Yingqi Law Firm (黑龍江英琪律師事務所), Zhongfa Group and Unionlife Insurance Company Limited Dalian branch. Ms. Li graduated from Beijing University with a bachelor's degree in Law and is a lawyer.

Ms. ZHAN Ziling, aged 46, has served as a Supervisor of the Company since 2008. Ms. Zhan has served in the headquarter and subsidiaries of the Company, and also previously served as the head of logistic control department project management sector. She served at Zhongfa Group and Heilongjiang Province Construction Group Ninth Company (黑龍江省建工集團第九公司). Ms. Zhan graduated from Central University of Finance and Economics with a master's degree in Management and is an accountant.

Senior management

Name	Age	Title
Mr. LAU Chi Kin	48	General Manager
Mr. LU Zhengrong	47	Deputy General Manager
Mr. LI Kun	61	Secretary of the Board of Directors
Mr. CHEUNG Chun Tong	55	Deputy General Manager
Mr. LIU Lixin	50	Deputy General Manager
Mr. LIU Yujiu	51	Assistant General Manager
Mr. WONG Chi Lam	55	Assistant General Manager
Ms. DU Wenjun	49	Compliance Officer
Mr. CHEN Wenrong	44	Auditing Officer
Mr. LI Kwok Wah	64	Deputy General Manger
Mr. XU Bin	45	Deputy General Manger
Ms. HUANG Chunxiang	47	Assistant General Manager
Mr. CHAN Cheuk Yin	56	Deputy General Manager and Financial Officer
Ms. GUAN Jiaoyang	37	Chief Actuary

Mr. LAU Chi Kin, aged 48, has served as the General Manager of the Company since January 2015. He served as an actuary at AIA HK, an actuary manager at Prudential Hong Kong, the manager of operation and development department of Prudential Greater China, the vice president, the chief financial officer and the marketing director of Prudential Life Insurance Company of Taiwan Inc., the assistant general manager, the deputy general manager, the general manager and a director of Ping An Life Insurance Company of China, Ltd. Mr. Lau graduated from the University of Hong Kong with a bachelor's degree in Physics.

Mr. LU Zhengrong, aged 47, has served as the Assistant General Manager of the Company since October 2006 and Deputy General Manager since July 2010. He served as the distribution manager, the assistant general manager and the deputy general manager of Ping An Life Insurance Company of China, Ltd., Shanghai branch. Mr. Lu graduated from Shanghai Academy of Social Sciences with a master's degree in Economics and Industry.

Mr. LI Kun, has served as the Secretary of the Board of Directors since April 2005. Please refer to "*Non-executive Directors*" for Mr. Li's profile.

Mr. CHEUNG Chun Tong, has served as the Deputy General Manager of the Company since 2014. Please refer to "*Executive Director*" for Mr. Cheung's profile.

Mr. LIU Lixin, aged 50, has served as the Assistant General Manager of the Company since August 2012 and the Deputy General Manager of the Company since October 2014. Mr. Liu served as a manager at Light Chemical Engineering and Materials Company (輕化建材公司) of the Materials Bureau in Jixi City, the head of administration of Ping An Life Insurance Company of China, Ltd., Jixi Branch, the assistant general manager of Ping An Life Insurance Company of China, Ltd., Heilongjiang Branch, the general manager of Union Life Insurance Company Limited, Heilongjiang Branch and Henan Branch and the Director of Union Life Insurance Company Limited. Mr. Liu graduated from Dongbei University of Finance and Economics with a bachelor's degree in Economics of Materials.

Mr. LIU Yujiu, aged 51, has served as the Assistant General Manager of the Company since August 2010. He served as the general manager of the Company's Shandong Branch from June 2006 to May 2010 and the Regional Manager of the Company from April 2009 to December 2013. He also previously served as a manager of Ping An Life Insurance Company of China, Ltd., Qingdao Branch Taian Centre, a manager of Ping An Life Insurance Company of China, Ltd., Qingdao Branch Zibo Centre, the assistant general manager of Ping An Life Insurance Company of China, Ltd., Qingdao Branch, the vice general manager of Ping An Life Insurance Company of China, Ltd., Xinjiang Branch. Mr. Liu graduated from Shandong University with a bachelor's degree in Chinese Literature.

Mr. WONG Chi Lam, aged 55, has served as the Assistant General Manager of the Company since May 2014. He previously served as the senior manager of premium management department of Manulife (International) Limited (香港宏利人壽保險公司), the senior manager of life insurance management department of Prudential Plc Hong Kong Office (the "Prudential") (香港英國保誠保險公司), the assistant to vice president and the director of life insurance management and the assistant to vice president and the director of bancassurance of Citic-Prudential Life Insurance Co., Ltd. (信誠人壽保險有限公司), the vice president and the chief executive officer of MetLife Limited (中美大都會人壽保險公司), the vice president and a director of customer service department of China United MetLife Insurance Company Limited (中美聯泰大都會人壽保險公司). Mr. Wong graduated from Hong Kong Baptist College with an advanced diploma in sociology.

Ms. DU Wenjun, aged 49, has served as the Compliance Officer of the Company since May 2010, is also the Legal Officer, Director and General Manager of legal and compliance department of the Company. She previously served as a clerk and a judge of Criminal Court One of the Supreme Court of the People's Republic of China, the manager of the legal department of Zhongxing Xintuo Investment Co., Ltd. (中興信託投資有限責任公司) and was a practicing lawyer in Jiacheng & Taihe Law firm's Beijing office (北京嘉誠泰和律師事務所). Ms. Du gradated from Jilin University with a bachelor degree in law.

Mr. CHEN Wenrong, aged 44, has served as the Auditing Officer of the Company and the Director of the Company since September 2013. He previously served as the deputy manager of sales department of Fujian Zhangzhou Trust Investment Company (福建省漳州信託投資公司), a director of financial department of Ping An Life Insurance Company of China, Ltd., Xiamen Branch, a director of audit department of Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司), the deputy manager of finance department of MetLife Limited. He also previously served as the Deputy Director of the Office of Board of Supervisors of the Company, the Deputy Manager of Audit Department of the Company and the General Manager of Audit Department of the Company. Mr. Chen graduated from Shanghai University of Finance and Economics with a bachelor's and master's degree in auditing.

Mr. Keith, LI Kwok Wah, aged 64, was appointed Vice President of the Company since April 2015, he started with the Company as a Consultant in September 2014. Mr. Li's previous work experience includes Senior Consultant of Technology Services Department of AIA Group, Senior Vice President of Technology & Operations of AIA Group, General Manager of Ping An Processing & Technology (Shenzhen) Co., Ltd. (平安數據科技(深圳)有限公司), Deputy Chief Services & Operations Officer of Ping An Group, Executive Vice President of Ping An Life Insurance Company, Executive Vice President of Prudential Corp. Asia (Taiwan) Life Insurance Company, Vice President of Data Centre of Nan Shan Life Insurance Company (台灣南山人壽保險公司), Senior Project Manager of American International Data Centre (友邦電腦公司), Project Director of credit card project of Westpac Banking Corporation (澳大利亞西太平洋銀行), and a teacher of Hong Kong Chan Shu Kui Memorial School. Mr. Li graduated from Queen Mary College, University of London with a bachelor degree in computer science.

Mr. XU Bin, aged 45, has served as the Deputy General Manager of the Company since June 2015. He previously served as the chief strategy officer of Noah Holdings Limited (諾亞財務), the general manager of Ping An Life Insurance Company of China, Ltd., Suzhou Branch, the deputy general manager of east region business division, the assistant general manager of Liaoning Branch, the strategic reform project manager of strategy and development centre, and the secretary to the general manager, the head of planning department, the manager of operations department, the assistant manager of sales department of Guangdong Branch, and the manager of communication projects of Guangdong Microwave Communication Agency. Mr. Xu graduated from Zhongshan University with a master's degree in condensed matter physics.

Ms. HUANG Chunxiang, aged 47, has served as the Assistant General Manager of the Company since April 2015. She previously served as the general manager of e-commerce department, the deputy general manager of marketing department, the manager of planning department business analysis office, the secretary of product department product management committee, a member of personnel department salary reform project team of Ping An Life, an employee of Guangyu Industry Group Corp. (廣宇工業集團) and a member of staff of Hunan Bureau of Statistics. Ms. Huang graduated from Beijing Information Science & Technology University with a bachelor's degree in management information system.

Mr. CHAN Cheuk Yin, aged 56, has served as the Deputy General Manager of the Company since April 2016, and the Financial Officer of the Company since May 2016. He previously served as an auditor of the Deloitte Touche Tohmatsu (德勤會計師事務所), the chief accountant of MBF Unit Trust Managers Limited (MBF基金管理公司), the assistant vice president of Citibank (花旗銀行), a finance officer of DBS Vickers Securities, a senior consultant and the general manager of Ping An Securities Limited (中國平安證券有限公司), the deputy finance officer of Ping An Insurance Company of China, Ltd. (中國平安保險集團股份有限公司), the temporary finance officer and the chief finance officer of Ping An Life Insurance Company of China, Ltd., a regional director of Prudential, the temporary finance officer, the deputy general manager and the finance officer of Citic-Prudential Life Insurance Co., Ltd. Mr. Chan graduated from Macquarie University with a bachelor's degree in auditing.

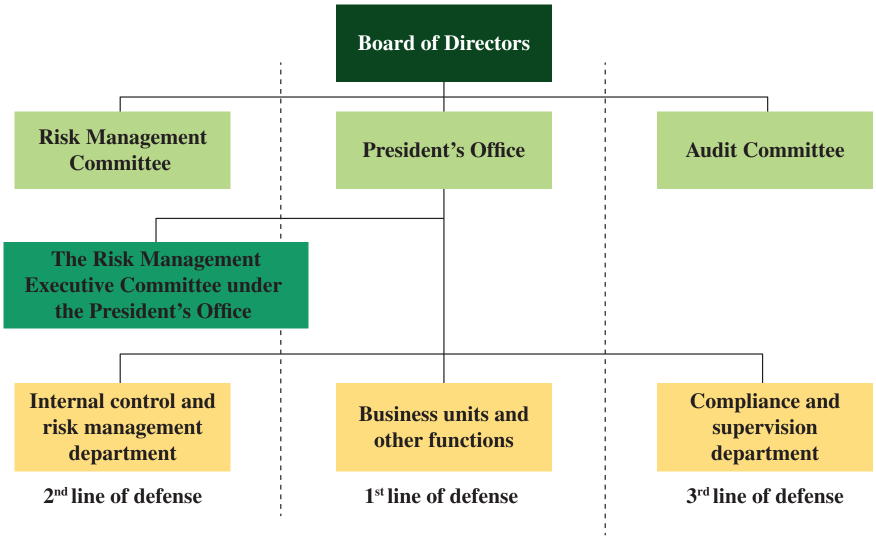
Ms. GUAN Jiaoyang, aged 37, has served as the Chief Actuary of the Company since July 2016. She previously served as the group insurance developer of New China Life Insurance Company Ltd. (新華人壽保險股份有限公司) and the director of assessment office, the assistant general manager, the deputy general manager and the general manager of the Product Actuary Department of the Company. Ms. Guan graduated from Hunan University with a bachelor's degree in Finance (Actuary).

RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK

The Group has established a comprehensive risk management system fully in compliance with C-ROSS regulatory requirements, managing all types of risks in a top-down tiered approach in order to optimise capital allocation and to achieve a balance between risks and returns.

The following chart summarises the Group's risk management and internal control framework:



The Board of Directors is the highest decision-making entity of the Group's solvency risk management system. It takes the final responsibility of the system's completeness and effectiveness. Its responsibilities include reviewing the general objectives of the Group's solvency risk management, risk appetite, risk tolerance and risk management policies, the Group's solvency risk management organisational structure and functions and supervising senior management.

The Risk Management Committee is authorised by the Board of Directors to perform solvency risk management functions, including assessing risks associated with the Group's major operational and management activities, evaluating effectiveness of the solvency risk management system, reviewing solutions of major solvency risk incidents, and resolving matters or major disagreements regarding the system's operation and issues.

The Risk Management Executive Committee is authorised by the Risk Management Committee to organise and implement solvency risk management, and perform on behalf of senior management's solvency risk management responsibilities, including evaluating and constructing solvency risk management organisational structure, dissecting solvency risk management procedures, policies, and coordinating execution, evaluating risk limits, periodically assessing solvency risk status, preparing solvency reports, investigating and formulating solutions for solvency risk incidents, organising the development and application of the risk management information system.

The Internal Control and Risk Management Department is the key management department of insurance risk and operational risk. It leads the Group's solvency risk management efforts, including coordinating major risk management departments and maintaining risk management policies of different categories of risk, overseeing the risk control and solutions of branches and functional departments and providing suggestions, establishing and maintaining the Group's risk appetite system and formulating risk tolerance and risk limits of different dimensions accordingly, and instructing and monitoring the further segmentation of risk limits.

At the functional level, the Asset Management Department is the major management department of market risk and credit risk, the Finance Department is the major management department of liquidity risk, the Corporate Planning Department is the major management department of strategic risk and the Brand Management Department is the major management department of reputational risk. They are responsible for:

- coordinating related functional departments on the management of different risk categories, establishing respective risk management mechanisms, and continuously improving respective risk management policies and procedures;
- executing the fundamental procedures of risk management, periodically assessing different major categories of risk, bearing responsibilities of the comprehensiveness and effectiveness of risk management, accepting the organisation, coordination and supervision of the risk management department;
- according to the Group's risk limits, further subdividing quantifiable inherent risks, monitoring risk limits execution status, promptly reporting to the risk management execution committee or the CRO, presenting adjustment plans and implementing under the supervision of the risk management department;
- developing key risk indicators ("**KRIs**") library of major categories of risk, specifying KRIs' definitions, algorithms, thresholds, and monitoring frequency. After approval by the risk management execution committee, regularly performing calculation, monitoring and early-warning, presenting improvement proposals for indicators that triggered early-warning, and executing the specific proposals; and
- periodically submitting information and status assessments of major categories of risk to the risk management department and risk management execution committee.

MAJOR RISK MANAGEMENT

The Group is exposed to seven primary sources of risk relating to its investments and its business operations:

Market risk

Market risk refers to the risk of unexpected losses arising from adverse changes in interest rate, foreign exchange rate, stock price and commodity price. The Group's market risk is managed through following its conservative and prudent investment philosophy and investment strategy, strengthening its research capacities, promptly adjusting equity investment positions according to market conditions and risk assessments, improving equity investment risk control indicators, strictly implementing risk limits, risk warning, and stopping loss policies to cope with potential market risk.

Credit risk

Credit risk refers to the risk of a default or overdue from a debtor or counterparty or the adverse change in the creditworthiness of a debtor or counterparty. The Group manages credit risk by strictly controlling the allocation and concentration within fixed-income assets and the credit ratings of its reinsurance counterparties, diversifying in rating profiles, risk profiles, industries and other aspects of portfolio holdings, implementing regional limits on industries that have high dependency on regional finance and closely monitoring the credit quality of positions, promptly notifying relevant risks in order for the investment division to react.

Insurance risk

Insurance risk refers to the risk of losses arising from the deviations of actual situations from actuary assumptions including mortality rate, morbidity rate, expense ratio and surrender rate. The mechanisms adopted by the Group to manage insurance risk (especially surrender risk), including handling normal surrender according to its internal surrender process management guidelines specified in the Company's Guidance for Surrender Management, handling abnormal surrender according to the management responsibilities, emergency measures, levelled response and other guidelines specified in the Company's Emergency Measures for Abnormal Claims and Surrender Risk and handling large-scale surrender according to the emergency measures and precautions specified in the Company's Emergency Measures for Surrender Crisis.

Liquidity risk

Liquidity risk refers to the risk of shortage of funding source or high funding cost when liabilities become due. The Group manages its liquidity risk by improving profitability, starting from cost control, and to refine operational management, and also by strengthening the Group's balance sheet through profit contribution. The Group also maintains its stability of liquidity through optimising asset allocation and strengthening asset liability management, reinforcing system construction by introducing detailed liquidity risk management measures and policies. The Group has been gradually consummating the risk management system, integrating limit management, fund forecast, stress test, emergency measures, and other management tools to the daily operation, investing, financing and other aspects of the Group. The Group aims to achieve risk incidents advance warning, concurrent control, and posting an incidents review system to minimise damages of liquidity risk factors.

Operational risk

Operational risk refers to the risk of direct and indirect losses incurred for inadequate or failed internal processes, human error or corruption and systems or external events, including legal and compliance risks. The Group manages operational risk by implanting detailed risk management strategy for sales management, group insurance, bancassurance, operational management and financial management.

Reputational risk

Reputational risk refers to the risk of losses resulting from negative and adverse events of branding and reputation. The Group manages its reputational risk by further defining the category of reputational risk incidents, intergrading reputational risk system construction to the regular working process, strengthening the communication between marketing, sales, customer service and other related departments, effectively and promptly handling mis-selling complaints, strengthening crisis handling and crisis response measures, ensuring timely and orderly handling facing crisis incidents, emphasising media monitoring, maintaining communication with media, regularly disclosing company information to avoid public misunderstanding due to information mismatch and establishing healthy relationship with media.

Strategic risk

Strategic risk refers to the risk that the Group's strategy does not match the Group's actual ability and the business environment due to inappropriate business planning or failed implementation. The Group's strategic risk is managed through improving overall operation, consistently optimising cost and return, accelerating organic growth, establishing incentives programme that is based on value generation, optimising assets allocation, strengthening capital management, asset management and assets-liabilities matching and boosting solvency through capital raising activities.

The following table sets forth the Group's risk limits on investment assets by investment asset category.

Risk limits of investment assets

Asset class	Company cap(1)	Regulatory cap(1)
Liquidity assets	No less than 5% of total assets of the last quarter end	None
Equity assets	No more than 20% of total assets of the last quarter end	No more than 30% of total assets of the last quarter end(2)
Investment properties	No more than 20% of total assets of the last quarter end	No more than 30% of total assets of the last quarter end
Other financial assets	No more than 15% of total assets of the last quarter end	No more than 25% of total assets of the last quarter end
Offshore investments	No more than 10% of total assets of the last quarter end	No more than 15% of total assets of the last quarter end
Below AA (inclusive) bonds	No more than 10% of total assets of the last quarter end	None

Notes:

(1) Total assets minus repos and separate account assets;

(2) Holdings of blue chip stocks cannot exceed 40% of the previous quarter's total assets.

REGULATION AND SUPERVISION IN THE PRC

Insurance Company Regulation

The insurance industry is heavily regulated in the PRC. The applicable laws and regulations governing insurance activities undertaken within the territories of the PRC consist principally of the PRC Insurance Law and rules and regulations promulgated under that law. The CIRC is the authority authorised by the PRC State Council to regulate and supervise the insurance industry in the PRC.

The PRC Insurance Law, which provided the initial framework for regulating the PRC insurance industry, was enacted in 1995, and significantly amended on 28 October 2002, 28 February 2009, 31 August 2014 and 24 April 2015. Among other things, the major provisions of the PRC Insurance Law include: (1) licensing of insurance companies and insurance intermediaries, such as agents and brokers; (2) separation of property and casualty business and life insurance business; (3) regulation of market conduct by participants; (4) substantive regulation of insurance products; (5) regulation of the financial condition and performance of insurance companies; and (6) supervisory and enforcement powers of the CIRC.

The CIRC was established in 1998. It has extensive supervisory authority over the PRC insurance industry, including: (1) promulgation of regulations applicable to the insurance industry; (2) examination of insurance companies; (3) establishment of investment regulations; (4) approving the policy terms and premium rates for certain insurance products; (5) setting standards for measuring the financial soundness of insurance companies; (6) requiring insurance companies to submit reports concerning their business operations and condition of assets; and (7) ordering the suspension of all or part of an insurance company's business. Since its establishment, the CIRC has promulgated a series of regulations indicating a gradual shift in the regulatory approach to a more transparent regulatory process and a convergent movement toward international standards.

Licensing requirements

An insurance company is required to obtain a license from the CIRC in order to engage in an insurance business. In general, a license will be granted only if the company can meet prescribed registered capital requirements and other specified requirements, including requirements relating to its form of organisation, the qualifications of its senior management and actuarial staff, the adequacy of its information systems and specifications relating to the insurance products to be offered.

The CIRC may grant a life insurer a license to offer all or part of the following products: accident insurance, term life insurance, whole life insurance, annuities, short-term and long-term health insurance, endowment insurance (for individuals only) and other personal insurance approved by the CIRC, as well as reinsurance relating to any of the foregoing.

An insurance company may seek approval for establishing branch offices to meet its business needs so long as it meets minimum capital and other requirements. The Group's headquarters and all of its branch offices have obtained the requisite insurance licenses.

Minimum capital requirements

The minimum paid-in capital for an insurance company is RMB200 million. For an insurance company whose registered capital is RMB200 million, the minimum incremental capital for each first branch office in a province other than the province where its headquarter is located is RMB20 million. No additional capital will be required when the paid-in capital has reached RMB500 million, and the insurer's solvency is sound.

Solvency Requirements

In February 2015, CIRC issued C-ROSS, with the aim of replacing the current solvency requirements on Chinese insurance companies. C-ROSS adopts the internationally accepted "three-pillar" regulatory system which includes quantitative capital requirements, qualitative regulatory requirements and market discipline mechanisms while its regulatory concept, models, methods and parameters are based on Chinese insurance market conditions. As C-ROSS comprises a new set of regulations and is therefore untested, interpretation and enforcement involves uncertainties. The regulatory provisions relating to C-ROSS promulgated by CIRC came into effect on 1 January 2016.

Deposit Insurance Scheme

In May 2015, the Regulations on Deposit Insurance was implemented and commercial banks, and other banking financial institutions absorbing deposits established within the territory of the PRC shall pay insurance premiums to the deposit insurance fund management institution to form deposit insurance funds, and the deposit insurance fund management institution pays back the insured deposits to depositors and takes necessary measures to maintain the safety of both the deposits and the deposit insurance funds.

Restriction of ownership in joint stock insurance companies

Any acquisition of shares which results in the acquirer owning 5% or more of the registered capital of a joint stock insurance company, whether or not listed, requires the approval of the CIRC. A filing with the CIRC is required with respect to a change of equity interest of less than 5% in an insurance company, unless it is a listed insurance company. Unless otherwise approved by the CIRC, equity interests held by a single shareholder (including its related parties) must not exceed 20% of the total equity of a single insurance company; however, subject to the fulfilment of certain conditions and with the approval of the CIRC, the shareholding ratio of a single shareholder (including its related parties) in a single insurance company may be more than 20% but may never exceed 51%. The combined equity interests held by foreign investors may not exceed 50% of the total equity of a single life insurance company.

Fundamental changes

Prior approval must be obtained from the CIRC before specified fundamental changes relating to a Chinese insurance company may occur. These include: a change of company name, registered capital or address of registered office or executive offices; an expansion of business scope; an amendment to articles of association; a merger or spin-off; a change in a shareholder whose capital contribution accounts for 5% or more of the total capital of the company or a shareholder holding 5% or more of the shares of the company; and a termination of a branch office. In addition, certain other changes relating to the insurance company must be reviewed by or filed with the CIRC.

Record filing and registration

The NDRC Circular relates to the matters as listed below:

- remove the quota review and approval system for the issuance of foreign debts by enterprises, reform and innovate the ways that foreign debts are managed, and implement the administration of record-filing and the registration system. Realise the supervision and administration of the size of foreign debts borrowed on a macro level with the record-filing, registration, and information reporting of the issuance of foreign debts by enterprises;

- before the issuance of foreign debts, enterprises shall first apply to the NDRC for the handling of the record-filing and registration procedures and shall report the information on the issuance to NDRC within 10 working days of completion of each issuance;

- record-filing and registration materials to be submitted by an enterprise for the issuance of foreign debts shall include: application report for the issuance of foreign debts and issuance plan, including the currency, size, interest rate, and maturity of foreign debts, the purpose of the funds raised, back flow of funds, etc. The applicant shall be responsible for the authenticity, legality, and completeness of the application materials and information;

- the NDRC shall decide whether to accept the application for record-filing and registration within 5 working days of receiving it and shall issue a Certificate for Record-filing and Registration of the Issuance of Foreign Debts by Enterprises within 7 working days of accepting the application and within the limit of the total size of foreign debts;

- the issuer of foreign debts shall handle the procedures related to the outflow and inflow of foreign debt funds with the Certificate for Record-filing and Registration according to the regulations. When the limit of the total size of foreign debts is exceeded, the NDRC shall make a public announcement and no longer accept applications for record-filing and registration; and

- if there is a major difference between the actual situation of the foreign debts issued by the enterprises and the situation indicated in the record-filing and registration, an explanation shall be given when reporting relevant information. The NDRC shall enter the poor credit record of an enterprise which maliciously and falsely reports the size of its foreign debts for record-filing and registration into the national credit information platform.

Pursuant to the Administrative Measures for Foreign Debt Registration and its operating guidelines, effective as of 13 May 2013, issuers of foreign debts are required to register with the SAFE. Issuers other than banks and financial departments of the government shall go through registration or record-filing procedures with the local branch of the SAFE within 15 business days of entering into a foreign debt agreement. If the receipt and payment of funds related to the foreign debt of such issuer is not handled through a domestic bank, the issuer shall, in the event of any change in the amount of money withdrawn, principal and interest payable or outstanding debt, go through relevant record-filing procedures with the local branch of the SAFE.

According to the Circular of the People's Bank of China on the Nationwide Implementation of Macro-prudential Management of Full-covered Cross-border Financing Activities (《中國人民銀行關於在全國範圍內實施全口徑跨境融資宏觀審慎管理的通知》, the "**PBOC Circular**"), effective as of 3 May 2016, (i) the enterprise incorporated under the PRC laws, who conducts cross-border financing activities, shall after signing of a cross-border financing agreement but at least three working days before withdrawal, file such agreement with the capital account information system of the SAFE; and (ii) the financial institution, who is not one of the 27 banking financial institutions under PBOC's direct supervision and conducts cross-border financing activities, shall after signing of a cross-border financing agreement but before its implementation, report the capital amount and agreement information to the PBOC and SAFE, and shall also report the cross-board income information after withdrawal and the cross-board payment information after paying the interests and principals. According to the on-site consultation by PRC counsel for the Issuer and the Joint Lead Managers with the State Administration of Foreign Exchange Wuhan Branch ("**SAFE Wuhan**"), which is the competent administration over the Issuer, on 28 July 2016, SAFE Wuhan verbally confirmed that, the PBOC Circular is not applicable to the issuance of the Notes if the proceeds under the Notes would not be remitted into the PRC. Since the Issuer does not plan to remit any part of the issue proceeds into the PRC, the issuance of the Notes do not need be filed or reported by the Issuer as required thereunder.

MATERIAL DIFFERENCES BETWEEN PRC ACCOUNTING STANDARDS AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

Summary of significant differences between PRC GAAP and IFRS

The Company's Financial Statements, the English versions of which included in this Offering Circular, have been prepared and presented in accordance with PRC GAAP.

PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Group. The Group is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the financial information and related footnote disclosure between PRC GAAP and IFRS and no attempt has been made to quantify such differences. Had any such quantification or reconciliation been undertaken by the Group, other potentially significant accounting and disclosure differences may have been required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future.

Accordingly, no assurance is **provided that** the following summary of differences between PRC GAAP and IFRS is complete. In making an investment decision, each investor must rely upon its own examination of the Group, the terms of the offering and other disclosure contained herein. Each investor should consult its own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

Reversal of an impairment loss

Under PRC GAAP, once an impairment loss is recognised for a long term asset (including fixed assets, intangible assets and goodwill, etc.), it shall not be reversed in any subsequent period. Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Related Party Disclosures

Under PRC GAAP, government-related entitles are not treated as related parties. Under IFRS, government-related entities are still treated as related parties.

Government Grant

Under PRC GAAP, an assets-related government grant is only required to be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. However, under IFRS, such assets-related government grants are allowed to be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. Under PRC GAAP, the relocation compensation for public interests is required to be recognised as special payables. The income from compensation attributable to losses of fixed assets and intangible assets, related expenses, losses from production suspension incurred during the relocation and reconstruction period and purchases of assets after the relocation shall be transferred from special payables to deferred income and accounted for in accordance with the government grants standard. The surplus reached after deducting the amount transferred to deferred income shall be recognised in capital reserve. Under IFRS, if an entity relocates for reasons of public interests, the compensation received shall be recognised in profit and loss.

Fixed assets and intangible assets

Under PRC GAAP, only the cost model is allowed. Under IFRS, an entity can choose either the cost model or the revaluation model as its accounting policy.

EXCHANGE RATES

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2 per cent. against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0 per cent. On 11 August 2015, PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods presented:

	Renminbi per U.S. Dollar Noon Buying Rate(1)			
Period	**End**	**Average(2)**	**High**	**Low**
	(CNY per U.S.$1.00)			
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7603	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.3088	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2868	6.4896	6.1870
2016	6.5752	6.5726	6.5932	6.5219
January	6.5752	6.5726	6.5932	6.5219
February	6.5525	6.5500	6.5795	6.5154
March	6.5131	6.5072	6.5500	6.4682
April	6.4738	6.4754	6.5004	6.5154
May	6.4738	6.5259	6.5798	6.5798
June	6.6459	6.5892	6.6481	6.5590
July	6.6371	6.6771	6.7013	6.6371
August (through 19 August)	6.6515	6.6381	6.6597	6.6239

Notes:

(1) Exchange rates between Renminbi and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Annual and semi-annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

TAXATION

The following summary of certain PRC, Hong Kong and EU tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

PRC

The following summary accurately describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as (a) non-PRC Noteholders, or (b) beneficial owners who are entities or individuals located outside of the PRC in this "Taxation-PRC" section. In considering whether to invest in the Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Enterprise Income Tax

Pursuant to the EIT Law and its implementation regulations and Individual Income Tax Law of the PRC, which was amended on 30 June 2011 and took effect on 1 September 2011, and its implementation regulations, an income tax is imposed on payment of interest by way of withholding in respect of debt securities, issued by PRC enterprises to non-PRC Noteholders, including non-PRC resident enterprises and non-PRC resident individuals. The current rates of such income tax are 10 per cent. for non-PRC resident enterprises and 20 per cent. for non-PRC resident individuals.

Such income tax shall be withheld by the Issuer that is acting as the obligatory withholder and such PRC enterprise shall withhold the tax amount from each payment due. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-PRC resident enterprise Noteholders. The tax so charged on interests paid on the Notes to non-PRC Noteholders who, or which are residents of Hong Kong (including enterprise holders and individual holders) as defined in the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) which was promulgated on 21 August 2006 (the "**Arrangement**") will be 7 per cent. of the gross amount of the interest pursuant to the Arrangement and relevant interpretation of the Arrangement formulated by the State Administration of Taxation of China ("**SAT**"). To enjoy this preferential tax rate of 7 per cent., the Issuer could apply, on behalf of the Noteholders, to the State Administration of Taxation of the PRC for the application of the tax rate of 7 per cent. in accordance with the Arrangement on the interest payable in respect of the Notes.

Value-add Tax ("VAT")

On 23 March 2016, the Ministry of Finance and the SAT issued the Circular of Full Implementation of Business Tax to VAT Reform (《關於全面推開營業稅改徵增值稅試點的通知》(Caishui [2016] No. 36, "**Circular 36**") which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Notes is likely to be treated as the holders of the Notes providing loans to the Issuer, which thus shall be regarded as financial services subject to VAT. Further, given that the Issuer is located in the PRC, the holders of the Notes would be regarded as providing the financial services within China and consequently, the holders of the Notes shall be subject to VAT at the rate of 6% when receiving the interest payments under the Notes. In addition, the holders of the Notes shall be subject to the local levies at approximately 12% of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72%. Given that the Issuer pays interest income to Noteholders who are located outside of the PRC, the Issuer, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Noteholders who are located outside of the PRC.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located inside the PRC.

Circular 36 has been issued quite recently, the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Pursuant to the EIT Law and the VAT reform detailed above, the Issuer shall withhold EIT (should such tax apply) from the payments of interest in respect of the Notes for any non-PRC-resident Noteholder and the Issuer shall withhold business tax or VAT (should such tax apply) from the payments of interest in respect of the Notes for any Noteholders located outside of the PRC. However, in the event that the Issuer is required to make such a deduction or withholding (whether by way of EIT, VAT or otherwise), the Issuer has agreed to pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see "*Terms and Conditions of the Notes – Condition 7 (Taxation)*".

Stamp Duty

No PRC stamp duty will be imposed on non-PRC Noteholders either upon issuance of the Notes or upon a subsequent transfer of Notes to the extent that the register of holders of the Notes is maintained outside the PRC and the issuance and the sale of the Notes is made outside of the PRC.

Hong Kong

Withholding tax

No withholding tax in Hong Kong is payable on payments of principal or interest with respect to the Notes or in respect of any capital arising from the sale of Notes.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**Inland Revenue Ordinance**") as it is currently applied by the Inland Revenue Department, interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried in Hong Kong in the following circumstances:

(a) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(b) interest on the Notes is derived from Hong Kong and is received by or accrues to a company (other than a financial institution) carrying on a trade, profession or business in Hong Kong; or

(c) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a company (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business.

Sums derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, from the carrying on of a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sum will generally be determined by having regard to the manner in which the Notes are acquired or disposed of.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Notes will be subject to profits tax.

Stamp duty

No Hong Kong stamp duty will be chargeable for the issue and transfer of the Notes.

Estate duty

No Hong Kong estate duty is payable in respect of the Notes.

FATCA

Whilst the Notes are in global form and held within the Clearing Systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the Clearing Systems, given that each of the entities in the payment chain between the Issuer and the participants in the Clearing Systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Notes. The Issuer's obligations under the Notes are discharged once it has paid the common depositary for the Clearing Systems (as registered holder of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the Clearing Systems and custodians or intermediaries. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the Clearing Systems. If this were to happen, then a non-FATCA compliant holder could be subject to withholding tax. However, definitive notes will only be printed in remote circumstances. Further, foreign financial institutions in a jurisdiction which has entered into an IGA are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

Noteholders should consult their own advisers about the application of FATCA, in particular if they may be classified as financial institutions under the FATCA rules.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Joint Lead Managers dated 8 September 2016 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to, severally but not jointly, subscribe and pay for or to procure subscribers to subscribe and pay for, the Notes at an issue price of 98.410 per cent. of their principal amount indicated in the following table.

	Principal amount of the Notes to be subscribed
	U.S.$
The Hongkong and Shanghai Banking Corporation Limited	165,000,000
ICBC International Securities Limited	165,000,000
Morgan Stanley & Co International plc	165,000,000
BOCI Asia Limited	2,500,000
CNCB (Hong Kong) Capital Limited	2,500,000
Total	500,000,000

The Subscription Agreement provides that the Joint Lead Managers and their respective affiliates, and their respective directors, officers and employees will be indemnified against certain liabilities in connection with the offer and sale of the Notes. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and certain of their respective subsidiaries or affiliates may have in the past perform and may in the future perform certain investment banking and advisory services for, and enter into certain commercial banking transactions with, the Issuer and/or its subsidiaries, from time to time, for which they have received customary fees and expenses. The Joint Lead Managers and their respective subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Issuer and/or its subsidiaries in the ordinary course of business.

In connection with the offering of the Notes, the Joint Lead Managers and/or their respective affiliate(s) may act as an investor for its own account and may take up Notes in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Joint Lead Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. The Joint Lead Managers or their respective affiliates may purchase the Notes for its own account or for the accounts of their customers and enter into transactions, including credit derivative, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of ours or our subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

In connection with the issue of the Notes, any of the Joint Lead Managers appointed and acting in its capacity as a Stabilising Manager or any person acting on behalf of the Stabilising Manager may, to the extent permitted by applicable laws and regulations, over-allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager or any person acting on behalf of the Stabilising Manager shall act as principal and not as agent of the Issuer. However, there is no assurance that the Stabilising Manager or any person acting on behalf of the Stabilising Manager will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Notes is made and, if begun, may be ended at any time, but must end after a limited period.

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer or the Joint Lead Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Notes, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Notes or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Notes may be distributed or published, by the Issuer or the Joint Lead Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer or the Joint Lead Managers. If a jurisdiction requires that an offering of Notes be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of a Joint Lead Manager is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager has represented, warranted and undertaken that it has not offered or sold, and will not offer or sell, any notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly, that neither it nor any of its affiliates (including any person acting on behalf of such Joint Lead Manager or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Notes.

Terms used in the paragraph above have the meanings given to them by Regulation S under the Securities Act.

United Kingdom

Each of the Joint Lead Managers has represented, warranted and undertaken that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each of the Joint Lead Managers has represented, warranted and undertaken that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

The People's Republic of China

Each of the Joint Lead Managers has represented, warranted and undertaken that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

Singapore

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"). Accordingly, each of the Joint Lead Managers has represented, warranted and undertaken that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person as defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments), (Shares and Debentures) Regulations 2005 of Singapore.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended) (the "**Financial Instruments and Exchange Act**") and, accordingly, each of the Joint Lead Managers has represented, warranted and undertaken that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws, regulations and ministerial guidelines of Japan.

GENERAL INFORMATION

1. **Clearing Systems**: The Notes have been accepted for clearance through Euroclear and Clearstream under Common Code 148973474 and the International Securities Identification Number for the Notes is XS1489734746.

2. **Authorisations**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Notes, the Trust Deed and the Agency Agreement. The issue of the Notes and the entry into the transaction documents in connection with the Notes were authorised by resolutions of the shareholders of the Issuer on 8 July 2016.

3. **No Material Adverse Change**: There has been no material adverse change, or any development reasonably likely to involve an adverse change, in the financial or trading position, prospects or results of operations of the Issuer since 31 December 2015.

4. **Litigation**: None of the Issuer or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer believes are material in the context of the Notes, neither the Issuer is aware that any such proceedings are pending or threatened.

5. **Available Documents**: Copies of the Issuer's audited consolidated financial statements as at and for the years ended 31 December 2014 and 2015, the Trust Deed, the Agency Agreement and the Articles of Association of the Issuer will be available for inspection in physical form from the Issue Date at the Agents' principal office at Level 30, HSBC Main Building, 1 Queen's Road Central, Hong Kong during normal business hours, so long as any of the Notes is outstanding.

6. **Financial Statements**: The Company's Financial Statements have been audited by Pan-China, as stated in its report appearing therein. The Company's Financial Statements are prepared in accordance with PRC GAAP. These consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions.

7. **Listing**: An application has been made to the Hong Kong Stock Exchange for the listing of the Notes by way of debt issues to professional investors only. It is expected that dealing in, and listing of, the Notes on the Hong Kong Stock Exchange will commence on or around 20 September 2016.

INDEX TO FINANCIAL STATEMENTS

UNION LIFE INSURANCE CO., LTD.

AUDITOR'S REPORT FOR THE YEAR

ENDING DECEMBER 31, 2015

Contents

Auditor's Report

PCCPAAR [2016] No.575

To the Shareholders of Union Life Insurance Co., Ltd.:

We have audited the accompanying financial statements of Union Life Insurance Co., Ltd. (the "Company"), which comprise the consolidated and parent company balance sheets as at December 31, 2015 the consolidated and parent company income statements, cash flow statements and statements of changes in equity for the year then ended, as well as notes to financial statements.

I. Management's Responsibility for the Financial Statements

The preparation and fair presentation of these financial statements is the responsibility of the Company's management. This responsibility includes: (1) preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises; and (2) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

II. Certified Public Accountants' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with the China Code of Ethics for Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Audit Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

IV. Emphasis of Matter

Without qualifying our opinion, we draw attention to Note XIII (I) in the notes to financial statements which indicates that as of December 31, 2015, the Company performs subsequent measurement on investment property with cost of 3,727,377,200.00 yuan based on appraisal results, and has recognized cumulative changes in fair value of 5,099,582,500.00 yuan, of which -9,760,500.00 yuan was included in profit or loss of 2015. Such appraisal results are based on assumed development method or market method. There is uncertainty in future cash flows which may or may not match the fair value recognized as above.

Pan-China Certified Public Accountants LLP

Hangzhou · China

Chinese Certified Public Accountant

Chinese Certified Public Accountant

Date of Report: February 19, 2016

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

Union Life Insurance Co., Ltd.

Consolidated Balance Sheet as at December 31, 2015

(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	Opening balance
Assets:			
Cash and bank balances	1	2,348,250,724	2,318,129,569
Financial assets at fair value through profit or loss	2	6,834,852,977	2,140,623,191
Reverse-REPO financial assets	3	710,500,000	36,000,000
Interest receivable	4	1,074,715,593	1,006,201,965
Insurance premium receivable	5	198,316,581	161,165,538
Reinsurance premium receivable	6	1,910,574,917	1,548,826,001
Receivable reserves for reinsurance unearned premium		4,015,945	1,667,156
Receivable reserves for reinsurance outstanding claims		4,010,526	2,350,018
Receivable reserves for reinsured life insurance liabilities		9,487,481,539	12,671,697,100
Receivable reserves for reinsured long-term health insurance liabilities		26,284,593	21,826,300
Policy holder pledge loan		731,677,782	498,790,323
Other receivables	7	637,348,456	422,176,637
Time deposits	8	6,082,158,527	5,956,153,482
Available-for-sale financial assets	9	7,866,868,606	6,864,737,494
Held-to-maturity investments	10	17,917,245,099	18,762,082,984
Investments classified as loans and receivables	11	8,141,800,000	9,268,200,000
Long-term equity investments	12	72,338,211	30,264,313
Debt investment plans	13	1,530,670,885	1,821,352,093
Refundable capital guarantee deposits	14	722,554,000	582,554,000
Investment property	15	9,370,644,646	8,634,259,700
Fixed assets	16	636,892,946	629,116,143
Construction in progress	17	25,752,567	18,297,545
Intangible assets	18	162,055,337	161,136,447
Other assets	19	137,053,858	236,283,300
Independent account assets	35	103,077,143	103,879,159
Total assets		76,737,141,458	73,897,770,458

The attached notes to the financial statements are an integral part of the financial statements.

Financial statements attached from Page 3 to Page 12 are signed by the following persons:

Legal representative: Officer in charge of accounting:

Chief actuary: Head of accounting department:

Union Life Insurance Co., Ltd.

Consolidated balance sheet as at December 31, 2015 (continued)

(Expressed in Renminbi Yuan)

Liabilities and equity	Note No.	Closing balance	Opening balance
Liabilities:			
Repo financial assets	20	6,127,000,000	5,641,409,778
Insurance premium received in advance		720,185,179	72,032,303
Handling fee and commission payable		57,733,174	46,124,391
Reinsured accounts payable	21	11,465,754,519	14,320,247,907
Employees benefits payable	22	118,763,069	73,435,908
Taxes and rates payable	23	140,635,888	57,771,663
Dividend payable	24	1,763,719	
Indemnity accounts payable		1,737,046,298	1,239,011,957
Policy dividends payable	25	1,042,777,889	775,153,869
Policy holder deposits and investment funds	26	16,098,973,631	13,701,621,568
Liabilities from vicarious business		14,551,090	9,540,562
Unearned reserves	27	75,333,299	65,655,202
Reserve for outstanding claim	27	62,063,913	68,529,593
Life insurance reserve	27	28,835,653,985	28,990,460,501
Reserves for long-term health insurance liabilities	27	126,155,823	297,941,304
Long-term borrowings	28	410,070,840	
Subordinated debt payable	29	1,100,000,000	1,100,000,000
Deferred tax liabilities	30	1,267,855,427	1,247,999,442
Other liabilities	31	649,794,113	1,078,074,557
Independent account liabilities	35	11,573,104	19,285,752
Total liabilities		70,063,684,960	68,804,296,257
Equity:			
Share capital	32	3,407,770,000	2,907,770,000
Capital reserve	33	1,110,496,896	1,110,496,896
Other comprehensive income	34	249,737,883	4,425,929
Undistributed profit		1,874,874,103	1,058,839,983
Total equity attributable to shareholders of the Company		6,642,878,882	5,081,532,808
Non-controlling interest		30,577,616	11,941,393
Total equity		6,673,456,498	5,093,474,201
Total liabilities and equity		76,737,141,458	73,897,770,458

The attached notes to the financial statements are an integral part of the financial statements.

Union Life Insurance Co., Ltd.

Parent Company Balance Sheet as at December 31, 2015

(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	Opening balance
Assets:			
Cash and bank balances	1	1,821,867,644	1,964,629,570
Financial assets at fair value through profit or loss		6,673,382,710	2,091,632,847
Reverse-REPO financial assets		710,500,000	36,000,000
Interest receivable		1,071,052,830	1,005,823,410
Insurance premium receivable		198,316,581	161,165,538
Reinsurance premium receivable		1,910,574,917	1,548,826,001
Receivable reserves for reinsurance unearned premium		4,002,562	1,667,156
Receivable reserves for reinsurance outstanding claims		3,999,513	2,350,018
Receivable reserves for reinsured life insurance liabilities		9,487,481,539	12,671,697,100
Receivable reserves for reinsured long-term health insurance liabilities		26,284,593	21,826,300
Policy holder pledge loan		731,677,782	498,790,323
Other receivables	2	613,744,896	416,898,494
Time deposits		5,874,303,615	5,879,376,940
Available-for-sale financial assets		7,866,868,606	6,864,737,494
Held-to-maturity investments		17,917,245,099	18,762,082,984
Investments classified as loans and receivables		8,141,800,000	9,268,200,000
Long-term equity investments	3	3,947,394,294	3,368,464,313
Debt investment plan		1,530,670,885	1,821,352,093
Refundable capital guarantee deposits		681,554,000	581,554,000
Investment property		1,872,901,000	1,876,232,000
Fixed assets		604,439,161	615,166,824
Construction in progress		9,251,627	4,889,748
Intangible assets		119,411,637	122,695,135
Other assets		114,770,287	172,640,463
Independent account assets		103,077,143	103,879,159
Total assets		72,036,572,921	69,862,577,910

The attached notes to the financial statements are an integral part of the financial statements.

Union Life Insurance Co., Ltd.

Parent Company Balance Sheet as at December 31, 2015 (continued)

(Expressed in Renminbi Yuan)

Liabilities and equity	Closing balance	Opening balance
Liabilities:		
Proceeds from sale of Repo financial assets	6,127,000,000	5,641,409,778
Insurance premium received in advance	719,990,293	72,032,303
Handling fee and commission payable	57,632,811	46,124,391
Reinsured accounts payable	11,465,754,519	14,320,247,907
Employees benefits payable	49,800,328	46,306,474
Taxes and rates payable	94,851,982	50,866,597
Indemnity accounts payable	1,737,034,051	1,239,011,956
Policy dividends payable	1,042,777,889	775,153,869
Policy holder deposits and investment funds	16,098,973,631	13,701,621,568
Liabilities from vicarious business	14,551,090	9,540,562
Unearned reserves	72,955,249	65,655,202
Reserve for outstanding claim	61,896,251	68,529,593
Life insurance reserve	28,835,653,985	28,990,460,501
Reserves for long-term health insurance liabilities	126,155,823	297,941,304
Subordinated debt payable	1,100,000,000	1,100,000,000
Deferred tax liabilities	239,431,197	217,896,948
Other liabilities	612,762,846	1,135,047,074
Independent account liabilities	11,573,104	19,285,752
Total liabilities	68,468,795,049	67,797,131,779
Equity:		
Share capital	3,407,770,000	2,907,770,000
Capital reserve	1,110,496,896	1,110,496,896
Other comprehensive income	243,342,955	4,425,929
Undistributed profit	-1,193,831,979	-1,957,246,694
Total equity	3,567,777,872	2,065,446,131
Total liabilities and equity	72,036,572,921	69,862,577,910

The attached notes to the financial statements are an integral part of the financial statements.

Union Life Insurance Co., Ltd.

Consolidated Income Statement for the year ended December 31, 2015

(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Operating revenue		15,574,937,868	1,525,206,089
Premium earned		11,752,516,439	-1,579,255,645
Revenue from insurance business	1	12,337,583,767	11,776,081,694
Less: reinsurance premium	2	577,738,020	13,343,475,122
Unearned premium reserves (or less: reversals)	3	7,329,308	11,862,217
Investment income (or less: losses)	4	3,470,043,893	2,706,834,964
Gain on changes in fair value (or less: losses)	5	128,710,178	222,046,127
Gains on foreign exchange (or less: losses)		527,517	107,742
Revenue from other operations	6	223,139,841	175,472,901
II. Operating expenses		14,706,732,510	1,056,930,450
Surrender value	7	6,871,892,009	2,270,178,001
Compensation payout	8	3,747,087,607	3,010,814,668
Less: amortized compensation expenses		3,967,245,056	1,571,916,916
Insurance reserve allotment	9	-333,057,676	5,234,293,489
Less: amortized insurance premium reserve	10	-3,178,096,760	11,899,473,424
Policy dividend payment	11	488,620,140	251,475,177
Taxes and surcharge for operations	12	110,457,308	42,274,568
Handling fees and commissions	13	1,000,566,220	758,314,211
Operational and administrative expenses	14	2,352,034,385	2,054,434,741
Less: amortized reinsurance expenditure		42,274,817	9,328,640
Costs of other operations	15	1,286,376,910	914,725,390
Assets impairment loss	16	14,178,720	1,139,185
III. Operating profit (or less: losses)		868,205,358	468,275,639
Add: non-operating revenue		13,628,019	10,686,382
Less: non-operating expenditures		8,899,271	8,401,095
IV. Profit before tax (or less: losses)		872,934,106	470,560,926
Less: income tax expenses	17	52,138,338	64,392,690
V. Net profit (or less: losses)		820,795,768	406,168,236
Including: Net profit of the combined party before the combination			
Net profit attributable to owners of the parent company		816,034,120	406,229,561
Minority interest		4,761,648	-61,325
VI. Other comprehensive income (or less: losses)	18	245,311,954	42,280,512
VII. Total comprehensive income (or less: losses)		1,066,107,722	448,448,748
attributable to owners of the parent company		1,061,346,074	448,510,073
attributable to non-controlling interest		4,761,648	-61,325

The attached notes to the financial statements are an integral part of the financial statements.

Union Life Insurance Co., Ltd.

Parent Company Income Statement for the year ended December 31, 2015

(Expressed in Renminbi Yuan)

Item	Notes	Current period cumulative	Preceding period comparative
I. Operating revenue		15,485,580,178	1,313,463,912
Premium earned		11,752,183,849	-1,579,255,645
Revenue from insurance business		12,334,848,831	11,776,081,694
Less: reinsurance premium		577,700,341	13,343,475,122
Unearned premium reserves (or less: reversals)		4,964,641	11,862,217
Investment income(or less: losses)	1	3,462,609,162	2,701,914,657
Gain on changes in fair value (or less: losses)		139,155,742	82,618,555
Gains on foreign exchange (or less: losses)		-1,292,530	107,742
Revenue from other operations		132,923,955	108,078,603
II. Operating expenses		14,697,236,483	950,226,820
Surrender value		6,871,892,009	2,270,178,001
Compensation payout		3,746,922,276	3,010,814,668
Less: amortized compensation expenses		3,967,245,056	1,571,916,916
Insurance reserve allotment		-333,225,339	5,234,293,489
Less: amortized insurance premium reserve		-3,178,107,774	11,899,473,424
Policy dividend payment		488,620,140	251,475,177
Taxes and surcharge for operations		94,862,693	37,245,494
Handling fees and commissions		1,000,123,336	758,314,211
Operational and administrative expenses		2,366,937,765	1,952,827,646
Less: amortized reinsurance expenditure		42,262,830	9,328,640
Costs of other operations		1,278,615,269	914,523,298
Assets impairment loss		13,888,446	1,273,816
III. Operating profit (or less: losses)		788,343,695	363,237,092
Add: non-operating revenue		5,465,006	7,222,952
Less: non-operating expenditures		8,859,736	8,000,080
IV. Profit before tax (or less: losses)		784,948,965	362,459,964
Less: income tax expenses		21,534,249	28,995,022
V. Net profit (or less: losses)		763,414,716	333,464,942
VI. Other comprehensive income (or less: losses)		238,917,026	42,280,512
VII. Total comprehensive income (or less: losses)		1,002,331,742	375,745,454

The attached notes to the financial statements are an integral part of the financial statements.

天职会计师事务所(特殊普通合伙) 审计之章

Union Life Insurance Co., Ltd.

Consolidated Cash Flow Statement for the year ended December 31, 2015

(Expressed in Renminbi Yuan)

Items	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities		
Cash receipts from receiving insurance premium of original insurance contract	6,027,447,632	9,501,588,356
Net cash receipts from reinsurance business	190,530,825	-55,187,513
Received net increase of policy holder deposits and investment funds	2,390,642,514	2,936,335,085
Other cash receipts relating to operating activities	241,078,798	273,887,414
Subtotal of cash inflows from operating activities	8,849,699,769	12,656,623,342
Cash paid for indemnity of original insurance contract	3,315,407,163	2,793,833,255
Cash paid for handling fees and commissions	988,957,437	755,856,075
Cash paid for policy dividends	220,996,120	202,084,638
Cash paid to and on behalf of employees	992,418,189	877,682,928
Cash paid for taxes and rates	131,160,927	79,963,661
Other cash paid relating to operating activities	2,713,635,619	1,928,456,424
Subtotal of cash outflows from operating activities	8,362,575,455	6,637,876,981
Net cash flows from operating activities	487,124,314	6,018,746,361
II. Cash flows from investing activities		
Cash received from return on investments	38,683,380,616	45,456,485,862
Cash received from investment incomes	3,388,349,386	2,471,379,921
Cash received at disposal of fixed assets and intangible assets	331,883	5,768,065
Other cash received relating to investing activities	26,170,771	20,132,175
Subtotal of cash inflows from investing activities	42,098,232,656	47,953,766,023
Cash paid to acquire investments	42,666,066,412	55,997,566,184
Net increase of pledge loans of policy holder	265,444,079	111,721,181
Cash paid to acquire fixed assets, intangible assets and other long-term assets	253,628,305	404,659,550
Other cash paid relating to investing activities		
Subtotal of cash outflows from investing activities	43,185,138,796	56,513,946,915
Net cash flows from investing activities	-1,086,906,140	-8,560,180,892
III. Cash flows from financing activities		
Cash received by absorbing equity investment	515,998,991	1,607,000,000
Other cash receipts from financing activities	500,134,685,797	204,827,405,192
Subtotal of cash inflows from financing activities	500,650,684,788	206,434,405,192
Cash payments for interest expenses and distribution of dividends or profit	372,295,797	90,753,756
Other cash payments relating to financing activities	499,652,505,547	203,584,181,245
Subtotal of cash outflows from financing activities	500,024,801,344	203,674,935,001
Net cash flows from financing activities	625,883,444	2,759,470,191
IV. Influence of exchange rate change on cash and cash equivalents	-1,767,848	-63,490
V. Net increase of cash and cash equivalents (or less: losses)	24,333,770	217,972,170
Add: Opening balance of cash and cash equivalents	2,318,129,569	2,100,157,399
VI. Closing balance of cash and cash equivalents	2,342,463,339	2,318,129,569

The attached notes to the financial statements are an integral part of the financial statements.

Union Life Insurance Co., Ltd.

Parent Company Cash Flow Statement for the year ended December 31, 2015

(Expressed in Renminbi Yuan)

Items	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities		
Cash received from receiving insurance premium of original insurance contract	6,023,950,624	9,501,588,356
Net cash received from reinsurance business	190,556,518	-55,187,513
Received net increase of policy holder deposits and investment funds	2,390,642,514	2,936,335,085
Other cash received relating to operating activities	115,031,899	142,374,333
Subtotal of cash inflows from operating activities	8,720,181,555	12,525,110,261
Cash paid for indemnity of original insurance contract	3,315,254,080	2,793,833,255
Cash paid for handling fees and commissions	988,614,916	755,856,075
Cash paid for policy dividends	220,996,120	202,084,638
Cash paid to and on behalf of employees	894,000,964	812,731,347
Cash paid for taxes and rates	111,606,289	68,328,692
Other cash paid relating to operating activities	2,917,068,497	1,828,160,099
Subtotal of cash outflows from operating activities	8,447,540,866	6,460,994,106
Net cash flows from operating activities	272,640,689	6,064,116,155
II. Cash flows from investing activities		
Cash received from returns on investments	38,673,880,616	45,413,350,519
Cash received from investments incomes	3,384,409,034	2,468,132,802
Cash received at disposal of fixed assets and intangible assets	331,208	5,768,065
Other cash received relating to investing activities	26,170,771	20,132,175
Subtotal of cash inflows from investing activities	42,084,791,629	47,907,383,561
Cash paid to acquire investments	42,809,946,780	56,398,989,644
Net increase of pledge loans	265,444,079	111,721,181
Cash paid to acquire fixed assets, intangible assets and other long-term assets	44,661,177	14,894,960
Other cash paid relating to investing activities		
Subtotal of cash outflows from investing activities	43,120,052,036	56,525,605,785
Net cash flows from investing activities	-1,035,260,407	-8,618,222,224
III. Cash flows from financing activities		
Cash received by absorbing equity investment	500,000,000	1,600,000,000
Other cash received from financing activities	500,134,685,797	204,827,405,194
Subtotal of cash inflows from financing activities	500,634,685,797	206,427,405,194
Cash payments for interest expenses and distribution of dividends or profit	364,439,900	90,753,756
Other cash payments relating to financing activities	499,649,095,575	203,584,181,244
Subtotal of cash outflows from financing activities	500,013,535,475	203,674,935,000
Net cash flows from financing activities	621,150,322	2,752,470,194
IV. Influence of exchange rate change on cash and cash equivalents	-1,292,530	107,742
V. Net increase of cash and cash equivalents (or less: losses)	-142,761,926	198,471,867
Add: Opening balance of cash and cash equivalents	1,964,629,570	1,766,157,703
VI. Closing balance of cash and cash equivalents	1,821,867,644	1,964,629,570

The attached notes to the financial statements are an integral part of the financial statements.

Union Life Insurance Co., Ltd.

Consolidated Statement of Changes in Equity for the year ended December 31, 2015

(Expressed in Renminbi Yuan)

Items	Total equity attributable to parent company				Non-controlling interest	Total equity
	Share capital	Capital reserve	Other comprehensive income	Undistributed profit		
January 1, 2014	2,782,770,000	235,496,896	-37,854,583	652,610,422	5,002,717	3,638,025,452
Share capital contributed by shareholders	125,000,000	875,000,000			7,000,000	1,007,000,000
Net profits (or less: losses)				406,229,561	-61,325	406,168,236
Other comprehensive income (or less: losses)			42,280,512			42,280,512
December 31, 2014	2,907,770,000	1,110,496,896	4,425,929	1,058,839,983	11,941,393	5,093,474,201
January 1, 2015	2,907,770,000	1,110,496,896	4,425,929	1,058,839,983	11,941,392	5,093,474,200
Share capital contributed by shareholders	500,000,000				15,692,074	515,692,074
Net profits (or less: losses)				816,034,120	4,761,648	820,795,768
Other comprehensive income (or less: losses)			245,311,954			245,311,954
Distribution to owners					1,817,498	1,817,498
December 31, 2015	3,407,770,000	1,110,496,896	249,737,883	1,874,874,103	30,577,616	6,673,456,498

The attached notes to the financial statements are an integral part of the financial statements.

Union Life Insurance Co., Ltd.

Parent Company Statement of Changes in Equity for the year ended December 31, 2015

(Expressed in Renminbi Yuan)

Item	Share capital	Capital reserve	Other comprehensive income	Undistributed profit	Total equity
January 1, 2014	2,782,770,000	235,496,896	-37,854,583	-2,290,711,637	689,700,676
Share capital contributed by shareholders	125,000,000	875,000,000			1,000,000,000
Net profits (or less: losses)				333,464,942	333,464,942
Other comprehensive income (or less: losses)			42,280,512		42,280,512
December 31, 2014	2,907,770,000	1,110,496,896	4,425,929	-1,957,246,695	2,065,446,131
January 1, 2015	2,907,770,000	1,110,496,896	4,425,929	-1,957,246,695	2,065,446,130
Share capital contributed by shareholders	500,000,000				500,000,000
Net profits (or less: losses)				763,414,716	763,414,716
Other comprehensive income (or less: losses)			238,917,026		238,917,026
December 31, 2015	3,407,770,000	1,110,496,896	243,342,955	-1,193,831,979	3,567,777,872

The attached notes to the financial statements are an integral part of the financial statements

Union Life Insurance Co., Ltd.

Notes to Financial Statements

For the year ended December 31, 2015

Monetary Unit: RMB Yuan

I. Company profile

Union Life Insurance Co., Ltd. (the "Company") is established by 6 companies including 北京永泰房地产开发有限公司 Beijing Eontime Real Estate Development Co., Ltd.*) under the approval of China Insurance Regulatory Commission ("CIRC") on January 26, 2005, with registered capital of 300 million yuan. On February 23, 2005 and February 24, 2005, the Company acquired a legal person certificate for insurance company of PRC numbered 0000612 issued by CIRC and a corporate business license numbered 1000001003942 issued by State Administration for Industry and Commerce of PRC. Upon the approval of CIRC, the Company increases its registered capital in 2006, 2007, 2009, 2010, 2012, 2014 and 2015 by 120,000,000 yuan, 246,580,000 yuan, 913,214,600 yuan, 150,000,000 yuan, 1,052,975,400 yuan, 125,000,000 yuan and 500,000,000 yuan respectively. Currently the Company holds a business license with unified social credit code of 91420000710933227F. Its registered capital is 3,407,770,000 yuan.

The Company has 26 branches in provinces and autonomous regions of Hubei, Shandong, Beijing, Heilongjiang, Zhejiang, Hunan, Anhui, Henan, Jiangsu, Shanghai, Hebei, Guangdong, Inner Mongolia, Jiangxi, Ningxia, Qingdao, Tianjin, Shaanxi, Xinjiang, Dalian, Sichuan, Fujian, Shanxi, Guangxi, Liaoning and Jilin.

The Company is mainly engaged in various types of personal insurance including life insurance, health insurance and accident insurance; reinsurance business of those personal insurance; application of insurance funds approved by state laws and regulations as well as other business approved by CIRC.

The financial statements were approved and authorized for issue by the 23rd Meeting of the fourth Session of the Board of Directors dated February 19, 2016.

The Company and its subsidiaries are collectively referred to as the "Group" in the financial statements.

II. Preparation basis of the financial statements

(I) Basis of preparation

The financial statements have been prepared on the basis of going concern.

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* *The English name is for identification purpose only.*

(II) Assessment of the ability to continue as a going concern

The Company has no events or conditions that may cast significant doubts upon the Company's ability to continue as a going concern within the 12 months after the balance sheet date.

III. Significant accounting policies and estimates

(I) Statement of compliance

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and present truly and completely the financial position, results of operations and cash flows of the Company.

(II) Accounting period

The accounting year of the Company runs from January 1 to December 31 under the Gregorian calendar.

(III) Functional currency

The Company's functional currency is Renminbi (RMB) Yuan.

(IV) Accounting treatments of business combination under and not under common control

1. Accounting treatment of business combination under common control

Assets and liabilities arising from business combination are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party at the combination date. Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve, if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

2. Accounting treatment of business combination not under common control

When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

(V) Preparation method of consolidated financial statements

The parent company brings all its controlled subsidiaries into its consolidation scope. The consolidated financial statements are compiled by the parent company according to "CASBE 33 - Consolidated Financial Statements", based on relevant information and the financial statements of the parent company and its subsidiaries.

(VI) Recognition criteria of cash and cash equivalents

Cash as presented in cash flow statement refers to cash on hand and deposit on demand for payment. Cash equivalents refer to short-term, highly liquid investments that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

(VII) Foreign currency translation

1. Translation of transactions denominated in foreign currency

Transactions denominated in foreign currency are translated into RMB yuan at the spot exchange rate at the transaction date at initial recognition. At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date with difference, except for those arising from the principal and interest of exclusive borrowings eligible for capitalization, included in profit or loss; non-cash items carried at historical costs are translated at the spot exchange rate at the transaction date, with its RMB amount unchanged; non-cash items carried at fair value in foreign currency are translated at the spot exchange rate at the date when the fair value was determined, with difference included in profit or loss or other comprehensive income.

2. Translation of financial statements measured in foreign currency

The assets and liabilities in the balance sheet are translated into RMB at the spot rate at the balance sheet date; the equity items, other than undistributed profit, are translated at the spot rate at the transaction date; the revenues and expenses in the income statement are translated into RMB at the spot exchange rate at the transaction date. The difference arising from foreign currency translation is included in other comprehensive income.

(VIII) Financial instruments

1. Classification of financial assets and financial liabilities

Financial assets are classified into the following four categories when initially recognized: financial assets at fair value through profit or loss (including held-for-trading financial assets and financial assets designated at initial recognition as at fair value through profit or loss), held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

Financial liabilities are classified into the following two categories when initially recognized: financial liabilities at fair value through profit or loss (including held-for-trading financial liabilities and financial liabilities designated at initial recognition as at fair value through profit or loss), and other financial liabilities.

2. Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount.

The Company measures its financial assets at fair value subsequent to initial recognition, and does not deduct the transaction expenses that may occur when it disposes of the said financial asset in the future. However, those under the following circumstances are excluded: (1) the held-to-maturity investments, loans and receivables are measured at amortized costs using effective interest method; (2) the equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by the delivery of the said equity instrument are measured at their costs.

The Company measures its financial liabilities at the amortized costs using effective interest method, with the exception of those under the following circumstances: (1) for the financial liabilities at fair value through profit or loss, they are measured at fair value, and none of the transaction expenses may be deducted, which may occur when the financial liabilities are settled in the future; (2) for the derivative financial liabilities, which are connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by the delivery of the equity instrument, they are measured at their costs; (3) for the financial guarantee contracts which are not designated as a financial liability at fair value through profit or loss, and for the commitments to grant loans which are not designated as at fair value through profit or loss and which will enjoy an interest rate lower than that of the market, they are measured subsequent to initial recognition at the higher of the following two items 1) The amount as determined according to “CASBE13 - Contingencies”; 2) the surplus after accumulative amortization as determined according to “CASBE14 - Revenues”.

Financial assets are derecognized when the contractual rights for collecting the cash flow of the said financial assets expire or substantially all risks and rewards related to the said financial assets have been transferred. Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability be derecognized accordingly.

The Group classified investment account liabilities arising from breaking down universal life insurance and policies failed to pass material insurance risk test as other financial liabilities.

3. Fair value determination method of financial assets and liabilities

The Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. The inputs to valuation techniques used to measure fair value are arranged in the following hierarchy and used accordingly:

(1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

(2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

(3) Level 3 inputs are unobservable inputs for the asset or liability.

4. Impairment test and provision for impairment loss of financial assets

(1) An impairment test is carried out at the balance sheet date on the financial assets other than those at fair value through profit or loss, and provisions for impairment loss should be made if there is objective evidence indicating impairment loss.

(2) For held-to-maturity investments, borrowings, and receivables, an impairment test is made on an individual basis on financial assets of individually significant amount; with regard to the financial assets of individually insignificant amount, they may be included in a portfolio of financial assets with similar credit risk features so as to carry out an impairment-related test; where, upon the impairment test on an individual basis, the financial asset (including those financial assets of individually significant amount and of individually insignificant amount) is not impaired, it is included in a portfolio of financial assets with similar credit risk features so as to conduct further impairment test. Where a financial asset is impaired, the carrying amount of the said financial asset is written down to the present value of the predicted future cash flow.

(3) Available-for-sale financial assets

When an available-for-sale financial asset at fair value is impaired, the cumulative loss arising from decline in fair value that has been recognized directly in other comprehensive income is reclassified to impairment loss. If, after an impairment loss has been recognized on available-for-sale debt instrument investment, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. Subsequent fair value increase in available-for-sale debt instrument investment whose impairment loss has been recognized is directly recognized in other comprehensive income.

When an available-for-sale equity instrument at cost is impaired, impairment loss on such equity instrument investment is recognized at any excess of its carrying amount over the present value of future cash flows, and such impairment loss is not reversed upon recognition.

5. Basis for reclassification of undue held-to-maturity investment into available-for-sale financial assets and indication of changes in holding intention or ability are: the credit conditions of investees are getting worse, which leads to sale of such held-to-maturity investments.

6. Derivative financial instruments

The initial recognition of derivative instruments is measured by fair value at the contract date and subsequent measurement is made by fair value. Gains or losses of derivative instruments are reflected in net profit. Fair value is acquired from quoted price in active market, including recent market transaction and valuation method, and analysis of discounted cash flow and option pricing model should be taken into consideration. The optimal initial recognized amount of derivative instruments is transaction price (i.e. payment paid or received) excluding the following conditions: (1) Fair value can be obtained by the same derivative instruments transaction in current market (without revised or changes), or (2) valuation method of acquiring all variable date in the market is adopted. The fair value of derivative instruments is included into assets if it is positive, otherwise, it would be included into liabilities. Embedded derivative instruments which meet the definition of derivative financial instruments should be measured different from main contract when there is no close relation between embedded derivative instruments and main contract, with changes in fair value recognized through net profit.

(IX) Receivables

For receivables (including accounts receivable and other receivables) of individually significant amount and objective proof indicating impairment loss, provisions for bad debts are made on the difference between the lower of present value of future cash flow and their carrying amount; for receivables (including accounts receivable and other receivables) of individually insignificant amount and of individually significant amount but without impairment loss based on impairment testing, the proportion of provision for bad debts on different portfolio of receivables grouped with age in the reporting period is determined based on their actual loss rate in combination with current situation. The proportion is set as follows: within 1 year (inclusive, the same hereinafter), 0.5% of the balance; 1-2 years, 0.5%; 2-3 years, 20%; over 3 years, 50% of the balance. For receivables with concrete evidence indicating poor recoverability, provisions for bad debts are made based on impairment testing and the difference of the lower present value of future cash flow and the carrying amount.

For other receivables (including advances paid, interest receivable and long-term receivable etc.), provisions for bad debts are made on the difference between the lower of present value of future cash flow and their carrying amount.

(X) Reverse repo financial assets and repo financial assets

1. Reverse repo financial assets

Reverse repo financial assets refer to the assets purchased in based on the resold agreement and resale of the bills, securities and loans at a fixed price which is funded from the financial assets. Reverse repo financial assets are not recognized in the balance sheet; the costs of the asset (including interest) are listed in the balance sheet as reverse repo financial assets and are priced based on the post-amortization cost. The balance between the buying price and the resale price is recognized based on the effective interest method within the agreed period and included in the interest income.

2. Repo financial assets

Repo financial assets refer to financial assets integrated from such financial assets as bills, securities and loans which are sold as agreed in the repurchase agreement and then repurchase at a fixed price. According to the agreement, the sold financial assets to be repurchased in the future are not derecognized in the balance sheet; funds obtained from the sold assets (exclusive of interest) are listed in the balance sheet as repo financial assets and priced based on the post-amortization cost. The balance between the sales price and repurchase price is recognized based on the effective interest rate method and is included in the interest expenses.

(XI) Policy holder pledge loans

Policy holder pledge loans refer to the loan granted by the Company upon the application of the policyholder at a certain percentage not exceeding the cash value of the insurance contract on application with the contract pledged, within the validity term of the insurance contract. Otherwise stipulated herein, the maximum loanable amount is about 80% of the cash value of insurance contract. The term of loan is six months at most starting from the date of money drawing by policy holder. Loan principal and interest are repaid in full amount upon expiration of the loan term.

During the loan term, if any refund or payment occurs due to agreement termination, settlement of claims, expiration or annuity payment, repayment of loan principal and interest is preferentially made before such refund and payment.

(XII) Long-term equity investments

1. Judgment of joint control and significant influence

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies.

2. Determination of investment cost

(1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. The difference between the initial cost of the long-term equity investment and the carrying amount of the combination consideration paid or the par value of shares issued offsets capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

(2) For business combination not under common control, investment cost is initially recognized at the acquisition-date fair value of considerations paid.

(3) Long-term equity investment obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to

"CASBE12 - Debt Restructuring"; and that obtained through non-cash assets exchange is determined according to "CASBE7 - Non-cash Assets Exchange".

3. Subsequent measurement and recognition method of gain or loss

For long-term equity investment with control relationship, it is accounted for with cost method; for long-term equity investment with joint control or significant influence relationship, it is accounted for with equity method.

4. Impairment test and provision for impairment

At the balance sheet date, provisions for impairment loss are made at the difference between the carrying amount and the recoverable amount when there is evidence indicating impairment loss.

(XIII) Refundable capital guarantee deposits

In accordance with Article 97 of Insurance Law of the People's Republic of China: "an insurance company shall draw a guarantee fund at the rate of 20% of its total registered capital, deposit it into a bank designated by the insurance regulatory body under the State Council, and use it for no purpose other than repayment of debts at the time of liquidation of the company", the Group will draw the guarantee fund at the rate of 20% of its total registered capital, deposit it into a bank designated by the insurance regulatory body under the State Council, and use it for no purpose other than repayment of debts at the time of liquidation of the Group.

(XIV) Investment property

1. Investment property includes land use right of rent-out property and of property held for capital appreciation and buildings that have been leased out.

2. The initial measurement of investment property is based on its cost, and subsequent measurement is made using fair value model.

3. At the balance sheet date, the Group performs reassess and review on the fair value of its investment property. The Group engaged Canwin CPVs Ltd. to assess the value of its investment properties as of December 31, 2015. When assessing the value, Canwin refers to identical or similar properties' prevailing market price and also considers present value of cash flows such as estimated future lease income to determine the fair value of investment property.

(XV) Fixed assets

1. Recognition principles of fixed assets

Fixed assets are tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year. Fixed assets are recognized if, and only if, it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the assets can be measured reliably.

2. Depreciation method of different categories of fixed assets

Categories	Depreciation method	Useful life (years)	Estimated residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	30	3	3.23
Special equipment	Straight-line method	5	3	19.40
Transport facilities	Straight-line method	6	3	16.17
General equipment	Straight-line method	5	3	19.40

3. Provisions for impairment are made at the excess of carrying amount over the recoverable amount if there is objective evidence indicating impairment loss at the balance sheet date.

(XVI) Construction in progress

1. Construction in progress is recognized if, and only if, it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.

2. Construction in progress is transferred into fixed assets at its actual cost when it reaches its designed usable conditions. When the construction completion cost reaches final estimating and auditing of the construction in progress was not finished while it reaching the designed usable conditions, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.

3. At the balance sheet date, provisions for impairment loss are made at the difference between the carrying amount and the recoverable amount when there is evidence indicating impairment loss.

(XVII) Intangible assets

1. Intangible asset includes land use right, patent right and non-patented technology etc. The initial measurement of intangible asset is based its cost.

2. For intangible assets with finite useful lives, its amortization amount is amortized within its useful life systematically and reasonably, if it is unable to determine the expected realization pattern reliably, intangible assets are amortized by the straight-line method with details as follows:

Items	Amortization period (years)
Land use right	50
Land contractual operation right	50
Computer software	10
Trademark	10

Intangible assets with indefinite useful life are not amortized, but their useful life is reviewed annually.

3. At the balance sheet date, provisions for impairment loss on intangible assets with finite useful life are made at the difference between the carrying amount and the recoverable amount when there is evidence indicating impairment loss. Impairment tests are performed on intangible assets with indefinite useful life and intangible assets not yet reaching the usable conditions, on annual basis, no matter there is evidence indicating impairment loss or not.

4. Expenditures on the research phase of an internal project are recognized as profit or loss when it is incurred. An intangible asset arising from the development phase of an internal project is recognized if the Company can demonstrate all of the following: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) its intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

(XVIII) Long-term prepayments

Long-term prepayments are recorded with actual cost, and evenly amortized within its beneficiary period or stipulated period. If items of long-term prepayments fail to be beneficial to the following accounting periods, residual values of such items are included in profit or loss.

(XIX) Independent account

The independent account of the Group is used for accounting the assets and liabilities incurred by non-insurance risk part of investment-linked products after separation. It should be independently accounted and declared in the financial statements.

1. Independent account assets

The independent account assets of the Group are used for accounting the values of investment assets related to non-insurance risk part of investment-linked products after separation. All independent account assets should be measured at the fair value. Any circulating securities in the market other than open-end funds should be evaluated at the closing price published by the stock exchange on the evaluation date or evaluated at the closing price on the latest trading date when there is no trade on the evaluation date. Meanwhile, the open-end fund should be evaluated at its net asset value declared on the evaluation date.

2. Independent account liabilities

The independent account liabilities of the Group are used for accounting the liabilities incurred by non-insurance risk part of investment-linked products after separation. All independent account liabilities should be measured at the fair value and relevant trade expenses should be recognized into current period profit or loss of the independent account.

(XX) Employee benefits

1. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

2. Short-term employee benefits

The Company recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset.

3. Post-employment benefits

The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans.

(1) The Company recognizes in the accounting period in which an employee provides service the contribution payable to a defined contribution plan as a liability, with a corresponding charge to profit or loss or the cost of a relevant asset.

(2) Accounting treatment by the Company for defined benefit plan usually involves the following steps:

1) In accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, and determine the periods to which the obligations are attributed. The Company discounts obligations under the defined benefit plan using the discount rate to determine the present value of the defined benefit plan obligations and the current service cost;

2) When a defined benefit plan has assets, the Company recognizes the deficit or surplus by deducting the present value of the defined benefit plan obligation from the fair value of defined benefit plan assets as a net defined benefit plan liability or net defined benefit plan asset. When a defined benefit plan has a surplus, the Company measures the net defined benefit plan asset at the lower of the surplus in the defined benefit plan and the asset ceiling;

3) At the end of reporting period, the Company recognizes the following components of employee benefits cost arising from defined benefit plan: a. service cost; b. net interest on the net defined benefit plan liability (asset); and c. Changes as a result of remeasurement of the net defined benefit liability (asset). Item a and item b are recognized in profit or loss or the cost of a relevant asset. Item c is recognized in other comprehensive income and is not to be reclassified subsequently to profit or loss. However, the Company may transfer those amounts recognized in other

comprehensive income within equity.

4. Termination benefits

Termination benefits provided to employees are recognized as an employee benefit liability for termination benefits, with a corresponding charge to profit or loss at the earlier of the following dates: a. when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or b. when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

5. Other long-term employee benefits

When other long-term employee benefits provided by the Company to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits are accounted for in accordance with the requirements relating to defined contribution plan. The Company recognizes and measures the net liability or net asset of other long-term employee benefits in accordance with the requirements relation to defined benefit plan. At the end of the reporting period, the Company recognizes the components of cost of employee benefits arising from other long-term employee benefits as the followings: a. service cost; b. net interest on the net liability or net assets of other long-term employee benefits; and c. changes as a result of remeasurement of the net liability or net assets of other long-term employee benefits. As a practical expedient, the net total of the aforesaid amounts are recognized in profit or loss or included in the cost of a relevant asset.

(XXI) Insurance protection fund

According to the No.2 Management Method of Insurance Funds issued by CIRC in 2008, the Group will pay the insurance protection funds for the insurance business within the scope of relief of the fund at the following proportion since January 1, 2009: 1) 0.15% of business income for life insurance with guaranteed revenue and 0.05% of business income for life insurance without guaranteed revenue; 2) 0.8% of premium income for short-term health insurance and 0.15% of premium income for long-term health insurance; 3) 0.8% of premium income for non-investment accidental injury insurance, 0.08% of business income for investment accidental injury insurance with guaranteed revenue and 0.05% of business for income without guaranteed revenue.

In case that the balance of insurance protection fund reaches 1% of the Group's total assets, the Group ceases the payment of insurance protection fund.

In withdrawal of insurance protection funds, the insurance premium income refers to the total amount paid by the policy holder to the insurance company for purchasing corresponding insurance products as agreed in the insurance contract.

(XXII) Policy holder deposits and investment funds

Policy holder deposits and investment funds refer to the deposits received by the Group from the policy holder with the principal increase as the premium income and the investment funds or net increase of investment funds of investment-oriented insurance from the policy holder.

Policy holder deposits and investment funds mainly consist of the parts of mixed insurance contracts (excluding investment-linked insurance) which can be independently measured to assume other risk after separation and the contract liabilities of the policies having not passed significant insurance risk test. Policy holder deposits and investment funds are recognized based on fair value, and the subsequent measurement is based on amortized cost.

(XXIII) Insurance contract

Insurance contracts of the Group consist of original insurance contracts and re-insurance contracts. In case of any accident within the insurance coverage agreed in the insurance contract, for which the Group may have to bear the responsibility for paying insurance money, the Group should bear the insurance risk; in case of significant insurance risk, the contract is listed as original insurance contract. The contract made between the Group and other policy holder under which significant risk is transferred, belongs to re-insurance contract.

1. Mixed insurance contract

Any contract between the Group and the policy holder, under which the Group should bear both insurance risk and other risks, should be handled as follows: 1) Where the insurance risk can be separated from other risks and be independently measured, the insurance risks and other risks can be separated. Insurance risk is recognized as insurance contract; other risks are not recognized as insurance contract.2) Where the insurance risk cannot be separated from other risks or can be separated but cannot be independently measured: i the contract can be identified as insurance contract provided that the insurance risk is significant; ii the contract may not be identified as insurance contract provided that the insurance risk is insignificant.

The contracts identified as insurance contracts should be handled in accordance with “CASBE 25 - Original Insurance Contract” and “CASBE 26 - Re-insurance Contract” and those not identified as insurance contract should be handled in accordance with “CASBE 22 - Recognition and Measurement of Financial Instruments” and “CASBE 37 - Presentation of Financial Instruments”.

2. Significant Insurance Risk Test

The Group will carry out material insurance risk test on the contract made with the policy holder and the re-insurance contract made with reinsurer on the initial recognition date.

The material insurance risk test will be carried out on a single contract basis. For contracts with homogeneous significant risks, material insurance risk test can be carried out on a contract combination basis.

The Group will group the contracts with homogeneous insurance risks into one group. The policies in connection with the same product have homogeneous insurance risks, thus they are grouped into one group.

In material insurance risk test, the Group will check whether material insurance risk is transferred as per the insurance contract by the following steps:

Step I: Judge whether the signed contract transfers the insurance risk

For original insurance contract, the standards to determine the insurance risks include: whether the cash flow under the contract depends on the future uncertain issues; whether the uncertain issues will adversely affect the policy holder; whether the uncertain issues exist prior to contract signing (which means that the issues are not resulted from contract).

For reinsurance contract, insurance risk transfer refers that amount paid by the reinsurer for reinsurance claims and the time will depend on the payment amount and time regulated for settled claim of original contract.

Step II: determine whether the risk transfer in the signed contract features business essential

Where the Group should shoulder the responsibility for paying the insurance money incurred by any insurance accident in accordance with any original insurance contract, the original insurance policy is commercial policy.

Where the re-insurance trade under any re-insurance contract has no identifiable economic impact on the Group, the contract has no economic nature.

Step III: determine whether the risk transfer in the signed contract is significant

For non-annuity policy under original insurance contract, the Group will measure the transfer degree of insurance risk as per the proportion of insurance risks of the original insurance policy. If the proportion is not less than 5% at one or more time points within the validity term of the policy, the original insurance policy should be identified as insurance contract. In addition, for the annuity policy under original insurance contract, the original insurance policy will be identified as insurance contract as long as longevity risk is transferred. As for the non-life policy included in non-annuity policy, the Group will directly identify the original insurance policy as insurance contract regardless of the proportion of its insurance risks since it obviously meets the conditions of transfer of significant insurance risk.

Risk proportion of original policy = (amount paid by the insurance company under the background of insurance accident/ amount paid by the insurance company under the background of non-insurance accident-1) * 100%.

The Group measures the transfer degree of insurance risk as per the proportion of insurance risks of the reinsurance policy. If the proportion is above 5%, the reinsurance policy should be identified as reinsurance contract. Risk proportion of reinsurance policy ={(∑ Present value of net loss of reinsurance underwriter * probability of occurrence) / present value of estimated premium income of reinsurance underwriter} * 100%.

The re-insurance contract meeting the conditions of significant insurance risk transfer will be identified as re-insurance contract without calculation of the insurance risk proportion.

In significant insurance risk test, the Group should classify the homogeneous insurance contracts into one group and test adequate typical samples in the group. If most contracts in the selected samples suffer significant insurance risk transfer, all contracts in this group will be determined as insurance contract. In selecting samples, the Group will take into consideration the distribution conditions and risk features of the contracts, such as age, gender, payment mode, and payment term.

In grouping of non-life insurance contracts, the Group will classify the contracts of insurance with homogeneous insurance risks into one group. For life insurance contracts, the Group will classify the contracts of major insurance with same or similar insurance term, gender, payment term or effective time of contracts into one group. In group test, the Group should select at least 50% of total policies.

The assumptions adopted by the Group in significant insurance risk test mainly include loss ratio, mortality rate and disease incident. The Group will determine reasonable estimates based on actual experience and future development trend to indicate the product characteristics and actual compensation of the Group.

3. Income and cost of insurance contracts

The Group will recognize the premium incomes when economic benefits in connection with the insurance contract may flow into the Group and the incomes from the insurance contract can be reliably measured after the insurance contract is executed and the Group starts to bear corresponding insured liability. Where the premium is charged by installment as agreed in the life insurance contract, the premium income of current period will be recognized as per the premium payable in current period. Where one-time payment of premium is required in the contract, the premium income of current period will be recognized as per one-off premium. For non-life insurance contract, the Group will recognize the premium income of the current period as per the gross premium as agreed in the insurance contract. In addition, the re-insurance premium income will be calculated by the Group in accordance with the re-insurance contract.

In case of premature rescission of contracts, the return premium should be calculated in accordance with the insurance contract and recognized into current period profit or loss.

Insurance contract cost refers to all flows of economic benefits not related to the profits distributed to the owners and which is resulted from insurance contract that may lead to the decrease in owner's equity. Insurance contract cost mainly includes occurred service charge and commission expense, compensation cost, policy dividend expense and accrued reserves of insurance contract.

The Group will calculate the re-insurance premium and the re-insurance premium which should be amortized to the reinsurer in accordance with relevant re-insurance contract in the period during which the premium income of original insurance contract is recognized and recognize them into profits and losses of that period. When drawing the reserves for original insurance contracts, the Group will calculate the reserves which should be amortized to the reinsurer in accordance with relevant re-insurance contract and recognize them as receivable reserves for re-insurance. In addition, the Group will offset the balance of receivable reserves for re-insurance in the period during which the balance of reserves for original insurance is offset upon the determination of compensation amounts or actual claim settlement expenses and meanwhile, calculate the compensation costs which should be amortized to the reinsurer in accordance with relevant re-insurance contract and recognize them into profits and losses of that period. The Group will calculate the adjustment amount of re-insurance premium and refund of reinsurance premium ceded in accordance with relevant re-insurance contract in the period during which the original insurance contract is prematurely rescinded and recognize it into the profits and losses of that period; meanwhile, write off the balance of receivable reserves for re-insurance. Besides, the Group will recognize profit commission into current period profit or loss as refund of reinsurance premium ceded in accordance with relevant re-insurance contract when the profit commission which should be charged from the reinsurer can be determined.

The assets incurred by re-insurance contract and the liabilities incurred by relevant original insurance contract will be separately listed in the balance sheet and will not be offset by each other. Meanwhile, the incomes and expenses incurred by the re-insurance and those incurred by relevant original insurance contract will also be separately listed in the income statement and will not be offset by each other.

(XXIV) Reserves for insurance contract

The Group will measure the reserves for insurance contract in the balance sheet to truly indicate the liabilities under insurance contracts. Reserves for insurance contract of the Group consist of reserves for life insurance contract and non-life insurance contract. The former includes life insurance reserves and reserves for long-term health insurance liabilities, both of which comprise unearned premium reserves and reserves for outstanding claims; the latter includes unearned premium reserves and reserves for outstanding claims.

1. Measurement unit of reserves for insurance contract

When determining reserves for insurance contract, the Group selects the measurement units based on product features. For insurance product with insurance period longer than 1 year, each policy is considered as the measurement unit; for insurance product with insurance period less than 1 year, the type of insurance is considered as the measurement unit. The determination criteria of measurement unit are uniform for each accounting period;

2. Measurement methods of reserves for insurance contract

The Group measures the reserves for insurance contract based on the appropriately estimated amount needed for performing obligations under the insurance contract. The expenses for performing obligations under the insurance contract refer to the difference between expected future cash outflow and expected future inflow, i.e., expected future net cash outflow. Meanwhile, expected future cash inflow refers to the cash inflow obtained by the Group to fulfill relevant obligations under the insurance contract, including premium and other fees. Expected future cash outflow refers to reasonable cash outflow incurred by performance of obligations under the insurance contract by the Group, including: (1) guaranteed benefits under the insurance contract, such as benefits against death, benefits against physical disability, benefits against disease, benefits for living and benefits upon expiration; (2) non-guaranteed benefits for constructive obligation as per the insurance contract, such as policy dividends; (3) reasonable expenses for managing the insurance contract or dealing with compensations, such as policy maintenance expenses and claim settlement expenses.

When the Group determines the reasonably estimate amount flowed from the expected future net cash flow, retrievable information on the balance sheet date should be basis.

In determination of reserves for insurance contract, marginal factor is taken into consideration and separately measured. Meanwhile, margin is recorded into current period profit or loss with systematic and appropriate methods during insurance duration. Day one gains are not recognized on the initial recognition date of insurance contract and day one losses (if any) are recorded into current period profit or loss.

Marginal factors include risk margin and residual margin. Risk margin is the compensation obtained by the Group for bearing the uncertainty in amount and time of future cash flow in insurance contract and the amount is determined based on relevant actuary assumption. Residual margin is the reserves recognized for the uncertain day one gains and the original amount of residual margin equals to zero or the difference of total margin deducting risk margin, whichever is higher. The follow-up measurement of residual margin and the expected reserves and risk margin relevant to appropriate estimation of future cash flow are mutually independent and any change of relevant assumption does not impact the follow-up measurement of residual margin.

The Group also re-measures the risk margin based on the information available on each balance sheet date and recognizes the assessed difference into current period profit or loss.

For residual margin, the Company will take the number of valid policies of life insurance as the driving factor of profit and determine the proportion of each marginal amortization and driving factor of profit (amortization proportion= residual margin/current value of), and the proportion will not be adjusted along with the changes in hypothesis. The unamortized margin = amortization proportion * driving factor for profit calculated based on adjusted assumption is taken during evaluation.

3. Long-term life insurance reserves and reserves for long-term health insurance liabilities

The Group determines the insurance accident occurrence rate assumption, surrender rate assumption, charge assumption, policy dividend assumption and discounting rate and unearned insurance reserves which should be withdrawn based upon the information available on the balance sheet date. The discount rate of unearned premium reserves for the insurance contracts with future insurance interest free from the influence of asset portfolio investment is determined based on the market interest rate consistent with liability cash outflow term and risk. The market interest rate determined by the Group is the premium of moving averages of yield curve prepared by China Government Securities Depository Trust & Clearing Co. Ltd. in addition to 60 base points. Future insurance interest changing with corresponding asset portfolio investment return should be determined with future investment return expected to be generated by corresponding asset portfolio.

4. Reserves for outstanding claims

Reserve for outstanding losses refers to the reserve collected in the happened and unsettled insurance contract claims for the insurance accident on the balance sheet date, which includes happened and unreported reserve for outstanding losses, happened and reported reserve for outstanding losses and reserve for compensation cost.

Reserves for occurred and reported unsettled indemnity: the reserves withdrawn by the Group for the occurred but unsettled claims with insurance compensation request. The Group withdraws the reserves based on reasonable estimates of ultimate compensation amount by case-by-case estimating method. However, the reserves withdrawn should not exceed the insurance amount of insurance accidents covered by policy. Meanwhile, the marginal factors should be taken into account to measure the reported reserve for outstanding losses.

Reserves for occurred but unreported unsettled indemnity: the reserves withdrawn by the Group for the occurred but unsettled claims without insurance compensation request. The Group calculates the reserves for occurred but unreported unsettled indemnity based on reasonable estimate by chain-ladder method, considering marginal factors.

Reserves for claim settlement expense: the reserves allotted by the Group for the possible attorney fee, legal fee, loss inspection fee, compensation of relevant claim settlement personnel cased by the occurred but not settled claims. The Group makes provision by pro rata distribution. Remuneration of relevant claims handling personnel is managed as human cost budgeting; counsel fee, cost of legal action and loss inspection cost are managed as the operating expense and the reserve for compensation cost uncovered in the investigation cost will not be accrued.

5. Liability adequacy test

The Group conducts adequacy test for reserves based upon general business on the balance sheet date. Where relevant reserves amount re-calculated by the Group based on actuarial studies exceeds relevant reserves allotted as of adequacy testing date, the reserves should be withdrawn on a difference basis and recorded into current period profit or loss, if not, no adjustment is needed.

For the adequacy test of life insurance reserves and reserves for long-term health insurance liabilities, the Group, based on actuarial assumption of optimal estimation anticipates the future cash flow of policy with appropriate actuarial model. Considered actuarial assumption mainly includes premium income, insurable interest expense, surrender value expense, commission and service charge expense, operating expense, policy dividend and other non-insurable interest expense. The applied discount rate for discount of future cash flow can reflect the income from investment of the corresponding assets to the reserves and estimated cash flow.

(XXV) Provisions

1. Provisions are recognized when fulfilling the present obligations arising from contingencies such as providing guarantee for other parties, litigation, products quality guarantee, onerous contract, etc., may cause the outflow of the economic benefit and such obligations can be reliably measured.

2. The initial measurement of provisions is based on the best estimated expenditures required in fulfilling the present obligations, and its carrying amount is reviewed at the balance sheet date.

(XXVI) Revenue recognition

1. Incomes from reinsurance business

The insurance business income of the Group should be accounted upon the premium income from the policies under insurance contracts. But the income from policies under non-insurance contract may not be recorded into insurance business income.

Refer to Note III (XXIII) 3 for detailed accounting policies.

2. Other incomes

Other incomes refers to interest income of current deposit, rental income and incomes obtained from other business activities such as management income occurred from insurance policy of non-insurance contract, which are recognized based on accrual basis. Interest income is recognized in accordance with the time and effective interest rate when others use monetary funds of the Group.

3. Investment income

Incomes from investment include various investments, fixed term deposit, interest income and dividend income occurred from guaranteed deposits, and realized profits or losses (exclusive of held- for-trading financial assets to be included in the changes in fair value recognized in profit or loss due to fair value changes, deducting the sold interest expense of financial assets sold for repurchase and relevant investment costs.

4. Gains (losses) on change in fair value

The gains and losses on changes in fair value refers to profit or loss caused by change in fair value recognized in held-for-trading financial liabilities and that should be recognized into profit or loss.

(XXVII) Policy dividend payment

Policy dividend payments refer to the dividends estimated and paid or to be paid by the Group to policy holders in the dividend allocation method of participating insurance products and based upon relevant actuary results in accordance with the original insurance contract.

(XXVIII) Government grants

1. Government grants consist of government grants related to assets and government grants related to income.

2. If a government grant is a monetary asset, it is measured in the light of the received or receivable amount; if a government grant is a non-monetary asset, it is measured at its fair value. If the fair value cannot be obtained in a reliable way, it is measured at its nominal amount.

3. The government grants related to assets are recognized as deferred income, equally distributed within the useful lives of the relevant assets, and included in profit or loss. The government grants related to incomes if used for compensating the related future expenses or losses of the Company are recognized as deferred income and are included in profit or loss during the period when the relevant expenses are recognized; if used for compensating the related expenses or losses incurred to the Company are directly included in profit or loss.

(XXIX) Deferred tax assets/Deferred tax liabilities

1. Deferred tax assets or deferred tax liabilities are calculated and recognized based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. A deferred tax asset is recognized to the extent of the amount of the taxable income, which it is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized.

3. At the balance sheet date, the carrying amount of deferred tax assets is reviewed. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.

4. The income tax and deferred tax for the period are treated as income tax expenses or income

through profit or loss, excluding those arising from the following circumstances: (a) business combination; and (b) the transactions or items directly recognized in equity.

(XXX) Leases

When the Group is the lessee, lease payments are recognized as cost or profit or loss with straight-line method over the lease term. Initial expenses are recognized directly into profit or loss. Contingent rents are charged as profit or loss in the periods in which they are incurred.

When the Company is the lessor, lease income is recognized as profit or loss with straight-line method over the lease term. Initial expenses, other than those with material amount and eligible for capitalization which are recognized as profit or loss by installments, are recognized directly as profit or loss. Contingent rents are charged into profit or loss in the periods in which they are incurred.

IV. Critical hypothesis and uncertain factors used for important judgment and accounting estimation made during the application of accounting policy

During the application of accounting policies as described in the Note III, the Group should judge, estimate and come up with hypothesis on the carrying amount of statement terms that cannot be measured accurately owing to the internal uncertainty of operation activity. These judgment, estimation and hypothesis are made based on previous experience of the Group's management together with consideration of other relevant factors. Actual results might differ from the Group's estimation.

The Group should conduct regular review on the previous judgment, estimation and hypothesis based on continuous operation. For change in accounting estimation that only influences current change period, its influence should be confirmed in the current period; for changes that influences both current and future period, its influence should be confirmed in the current and future period.

Important judgment made in the application of accounting policies

The Group made the following important judgments in the application of accounting policies, which greatly influence the amount confirmed in the financial statement:

(I) Classification of financial assets

As described in the classification of financial instruments under notes to significant accounting policies and estimates, management should make critical judgment over the financial assets classification according to the purpose of held financial assets in the initial confirmation date of financial asset or subsequent period. Different classification would influence accounting method and the Group's financial status and operation result. Wrong judgment over financial asset classification by the Group would lead to re-classification of all financial assets.

(II) Separation and classification of mixed contract

As described in insurance contract under notes to significant accounting policies and estimates, the Group should judge whether the contract issued by the Group assuming both insurance risk and other risks can be distinguished, whose result would influence the separation of contract.

Meanwhile, the Group should judge whether the issued insurance policy would transfer insurance risk, whether the transfer of insurance risk is of business essential and whether critical judgment is made over transfer risk, whose result would influence the classification of contract.

Contract separation and classification would influence accounting method and the Group's financial status and operation result.

(III) Measurement unit of the reserve fund of insurance contract

During the measurement of reserve of insurance contract, the Group should judge whether insurance contract group as a measurement unit has homogeneous insurance risks, whose result would influence the measurement result of contract reserve.

(IV) Measurement of reserves for insurance contract

The Group should estimate the amount needed to pay for performing relevant obligations under insurance contract when measuring insurance contract reserves (including unearned premium reserves for non-life insurance business, life insurance reserves, long-term health insurance reserves, and reserves for outstanding claims) on balance sheet date.

Main hypotheses adopted by the Group for measuring unearned insurance reserves includes discount rate, insurance accident occurrence rate (mainly includes mortality rate, disease incidence rate), surrender rate, expenses hypothesis and policy dividend hypothesis.

The hypothesis applied for the estimation by the Group will be regularly analyzed and reviewed. Changes in the assumption may affect the financial status and business performance of the Group.

1. Discount rate hypothesis

The Group should consider previous investment experience, current and future investment portfolio and yield trend in determining discount rate hypothesis. Discount rate hypothesis reflects expectation of future economy condition and company investment strategy. Discount rate hypothesis without considering risk margin for the past 2 years is showed in the following table:

	Discount rate assumption (%)
December 31, 2015	5-5.50
December 31, 2014	5

For insurance contract whose future insurance interest is not influenced by the corresponding asset portfolio investment interest, the Group determines the discount rate hypothesis based on the Treasury Yield Curve of 750 working days published on the China Bond Information Website together considering liquidity premium, tax and other factors when considering the influence of currency time value. Discount rate hypothesis without considering risk margin for the past 2 years is presented as below:

	Discount rate assumption (%)
December 31, 2015	3.72-6.21
December 31, 2014	3.77-6.48

2. Mortality rate and disease incidence rate hypothesis

Mortality rate and disease incidence rate hypothesis is determined according to the mortality rate and disease incidence rate of policies issued by the Group. Mortality rate and disease incidence rate differs from policy holder of different ages and insurance contracts of different types.

The Group determines the mortality rate hypothesis to the Life Table of China's Life Insurance Industry Experience (2000-2003), and adequate adjustment is made to reflect the Group's long-term previous mortality rate experience. Uncertainty of mortality rate for life insurance contract is mainly caused by the epidemic, and significant change in life style. All these factors would lead to worsening of future mortality rate experience and thus insufficient liability. Similarly, life extension droved by continuous improvement of health care and social conditions would also bring longevity risk to the Group's annuities insurance.

The Group adopts the disease incidence rate hypothesis provided by the reinsurance company. Uncertainty mainly includes future disease incidence rate experience worsening caused by life style change, advanced diagnosis time of serious diseased driven by development of medical technology and improvement of coverage rate of medical instrument enjoyed by policy holder, which in turn leads to advance payment of serious diseases. If current disease incidence rate hypothesis fails to appropriately reflect these long-term trends, insufficient liability is an ultimate result.

The Group has considered risk margin when adopting mortality rate and disease incidence rate hypothesis.

3. Expenses hypothesis

Expense hypothesis is based on the predicted policy unit cost together with consideration of risk margin. Unit cost is based on the analysis of actual experience and future expectation. Unit cost factor is showed in the format of each policy, coverage percentage and premium percentage. Expense hypothesis is influenced by future inflation and market competition, which means uncertainty. The Group determines expenses hypothesis based on the current information that can be obtained on the balance sheet date together with consideration of risk margin factor.

	RMB/policy	Premium percentage (%)
December 31, 2015	20-60	1-46
December 31, 2014	20-60	1-46

4. Policy dividend hypothesis

Policy dividend hypothesis is determined by combining participating insurance regulations, expected investment yield of dividend insurance account, dividend distribution policy of the Group, reasonable expectation of the policy holder. According to participating insurance regulations, the Group is responsible to pay 70% or higher percent as per the policy agreement of distributable earning to the participating insurance contract holder.

5. Surrender rate and other hypotheses

Surrender rate and other hypotheses are influenced by future macro economy, alternative financial instrument, market competition and other factors, which means uncertainty. Surrender rate hypothesis is made by the Group based on the current information that can be obtained on the balance sheet date together with consideration of risk margin factor that is determined by previous reliable experience, current situation and future expectation.

Residual margin related to the unearned insurance reserve should be amortized in the expected insurance term using policy effective date hypothesis.

The hypothesis applied for the estimation by the Group will be regularly analyzed and reviewed. Changes in the assumption may affect the financial status and business performance of the Group.

(V) Income tax

The Group should determine the deferred income tax rate according to the applicable tax rate for expected assets recovery or liability paying-off period, and the period and applicable tax rate should be in turn determined by estimation and judgment. Any difference between re-estimation and existing estimation will affect the deferred income tax amount during estimation change period and current income tax.

(VI) Fair value of financial instruments

The Group determined the fair value of financial instrument that fails to find active trade market through various estimation methods. These estimation methods include the price used in the recent market transactions of parties familiar with the situations and voluntary to transact, the current fair value that refers to other financial instruments of similar nature, discounted cash flow technique, option pricing model and the like. When adopting the above methods for estimation, the Group should conduct estimation on its own and competitors' credit risk, market volatility and other relevant factor, whose hypothesis change would influence the fair value of financial instruments.

The Group conducts regular evaluation and test on the effectiveness of estimation methods, and updates estimation method as necessary to reflect market condition at balance sheet date.

V. Taxes and rates

(I) Main taxes and rates

Taxes	Taxation basis	Tax rates
Business tax	The taxable business turnover	5%

Taxes	Taxation basis	Tax rates
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12% of rent revenue.	1.2%, 12%
Urban maintenance and construction tax	Turnover tax payable	7%, 5%, 1%
Enterprise income tax	Taxable income	25%

(II)Tax preferential policies and related documents of approvals

According to documents numbered Cai Shui [2005] 76, Cai Shui [2005] 190, Cai Shui [2006] 115, Cai Shui [2007] 43, Cai Shui [2007] 158, Cai Shui [2007] 117, Cai Shui [2008] 88, Cai Shui [2008] 166, Cai Shui [2009] 135, Cai Shui [2010] 71, Cai Shui [2011] 5, Cai Shui [2013] 12, Cai Shui [2014] 6, and Cai Shui [2014] 148 issued by Ministry of Finance (MOF) and State Administration of Taxation (SAT) of PRC, over 223 insurance products including 1001 Union Yongxiang Permanent Life Insurance (participating) of the Company is exempted from business tax.

VI. Business combination, consolidated financial statements, and interest in other entities

(I) Significant subsidiaries

Subsidiaries	Business nature	Registered capital	Business scope
1. Subsidiaries acquired through establishment or investment			
合众健康产业（武汉）投资有限公司 (Union Health Industry (Wuhan) Investment Co., Ltd.*)	Service	1.20 billion	Real estate and relevant complementary investment; its own real estate operation; property management; hotel management (projects specifically regulated by the state can be included in the business scope only after being approved).
合众健康产业（南宁）投资有限公司 (Union Health Industry (Nanning) Investment Co., Ltd.*)	Estate investment	510 million	Business scope: Investment to land, building, urban infrastructures, municipal engineering, service industry and commerce (items included in the license should be operated with the license within the valid period).
合众健康产业项目（沈阳）投资有限公司 (Union Health Industry (Shenyang) Investment Co., Ltd.*)	Estate investment	1.02 billion	Investment to land, building, urban infrastructures, municipal engineering, service industry and commerce; real estate development (with qualifications to operate); sale and lease of real estate. (for business required with special approval, the company conducts such business as approved.)
合肥合众人寿健康产业项目投资有限公司(Hefei Union Life Health Industry Investment Co., Ltd.*)	Estate investment	100 million	Real estate and relevant complementary investment (Items forbidden by laws and regulations or failing to be approved are excluded)
合众健康产业（济南）投资有限公司 (Union Health Industry (Jinan) Investment Co., Ltd.*)	Estate investment	55 million	Real estate and relevant complementary investment (Projects can be included in the business scope only after being approved)

* *The English names are for identification purpose only.*

Subsidiaries	Business nature	Registered capital	Business scope
合众资产管理股份有限公司 (Union Assets Management Co., Ltd.*)	Investment	100 million	Managing RMB and foreign currency funds entrusted by clients, managing and utilizing its own RMB and foreign currency funds, operating insurance asset management product business and other businesses approved by the CIRC or other departments of the State Council. (for business required with special approval, the company conducts such business as approved.)
盛世合众保险销售有限公司 (Shengshi Union Insurance Sales Co., Ltd.*)	Insurance sale	50 million	Agency business including selling insurance products across China (excluding Hong Kong, Macau, Taiwan), receiving insurance premium, investigating and claiming of related insurance business, and other business approved by CIRC. (Insurance agency business permit will be valid until on June 3, 2016)
合众科技服务有限公司 (Union Science and Technology Service Co., Ltd.*)	Software service	50 million	Research of computer hardware/software, system integration, customer service and consultation service for quality, procedure and standard of insurance business.
合众优年（北京）投资有限公司 (Union Younian (Beijing) Investment Co., Ltd.*)	Investment	50 million	Project investment (for business required with special approval, the company conducts such business as approved.)
合众财产保险股份有限公司 (Union Property Insurance Co., Ltd.*)	Insurance	200 million	Vehicle insurance, including vehicle accident compulsory insurance and vehicle commercial insurance; reinsurance of these insurance; insurance fund operation allowed by laws and regulations; other business approved by CIRC. (for business required with special approval, the company conducts such business as approved.)
Best Years, LLC	Service	USD 26,508,181.00	
Summit Union Life, LLC	Service	USD 28,286,589.67	
2. Business combination not under common control			
Summit Lamar, LLC	Service	USD 1,190,890.32	
Summit Monte Vista, LLC	Service	USD 911,648.01	
Summit Myrtle Point, LLC	Service	USD 1,185,782.00	
Summit Portland, LLC	Service	USD 3,016,782.14	
Summit Salem, LLC	Service	USD 823,908.95	
Summit Front Royal, LLC	Service	USD 3,879,843.36	
Summit Longview, LLC	Service	USD 934,575.85	
Summit Granbury, LLC	Service	USD 4,037,768.31	
Summit Jacksonville, LLC	Service	USD 1,869,151.70	
Summit Woodville, LLC	Service	USD 1,557,626.42	
Summit Appleton, LLC	Service	USD 2,137,916.50	
Summit Carrington, LLC	Service	USD 836,190.12	
Summit Marla Vista Manor, LLC	Service	USD 1,702,120.33	

* *The English names are for identification purpose only.*

Subsidiaries	Business nature	Registered capital	Business scope
Summit Marla Vista Gardens, LLC	Service	USD 782,652.83	

(Continued)

Subsidiaries	Actual contribution at the end of period	Balance of other items of investments to subsidiaries	Holding proportion (%)	Voting right proportion (%)
1. Subsidiaries acquired through establishment or investment				
Union Health Industry (Wuhan) Investment Co., Ltd.	1.306 billion		100.00	100.00
Union Health Industry (Nanning) Investment Co., Ltd.	438.20 million		100.00	100.00
Union Health Industry (Shenyang) Investment Co., Ltd.	1.065 billion		100.00	100.00
Hefei Union Life Health Industry Investment Co., Ltd.	100 million		100.00	100.00
Union Health Industry (Jinan) Investment Co., Ltd.	55 million		100.00	100.00
Union Assets Management Co., Ltd.	190 million		95.00	95.00
Shengshi Union Insurance Sales Co., Ltd.	50 million		100.00	100.00
Union Science and Technology Service Co., Ltd.	56.60 million		100.00	100.00
Union Younian (Beijing) Investment Co., Ltd.	50 million		100.00	100.00
Union Property Insurance Co., Ltd.	398 million		99.00	99.00
Best Years, LLC	USD 26,508,181.00		100.00	100.00
Summit Union Life, LLC	USD 26,426,484.51		90.00	90.00
2. Business combination not under common control				
Summit Lamar, LLC	USD 1,190,890.32		90.00	90.00
Summit Monte Vista, LLC	USD 911,648.01		90.00	90.00
Summit Myrtle Point, LLC	USD 1,185,782.00		90.00	90.00
Summit Portland, LLC	USD 3,016,782.14		90.00	90.00
Summit Salem, LLC	USD 823,908.95		90.00	90.00
Summit Front Royal, LLC	USD 3,879,843.36		90.00	90.00
Summit Longview, LLC	USD 934,575.85		90.00	90.00
Summit Granbury, LLC	USD 4,037,768.31		90.00	90.00
Summit Jacksonville, LLC	USD 1,869,151.70		90.00	90.00
Summit Woodville, LLC	USD 1,557,626.42		90.00	90.00
Summit Appleton, LLC	USD 2,137,916.50		90.00	90.00
Summit Carrington, LLC	USD 836,190.12		90.00	90.00
Summit Marla Vista Manor, LLC	USD 1,702,120.33		90.00	90.00
Summit Marla Vista Gardens, LLC	USD 782,652.83		90.00	90.00

(II) Changes in consolidation scope

1. Subsidiaries acquired through establishment or investment

(1) In the current period, the Company established Best Year LLC, whose registered capital is USD 26,508,181.00. As of December 31, 2015, the Company has contributed USD 26,508,181, accounting for 100% of its registered capital. The Company has substantial control right over it,

and it is brought into the consolidation scope in the current period.

(2) In the current period, Best Years LLC and Summit Healthcare Operating Partnership LP established Summit Union Life, LLC, whose registered capital is USD 28,286,589.67. As of December 31, 2015, Best Years LLC has contributed USD 25,798,647.41, accounting for 91.20% of its registered capital. Best Years LLC has substantial control right over it, and it is brought into the consolidation scope in the current period.

2. Subsidiaries acquired through business combination not under common control

According to the Agreement to establish Summit Union Life, LLC entered into between Best Years LLC, and Summit Healthcare Operating Partnership LP in April 2015 (the "Agreement"), Summit Union Life, LLC acquired 100% interest of six companies, including Summit Lamar, Summit Monte Vista, Summit Myrtle Point, Summit Portland, Summit Salem, and Summit Front Royal, held by Summit Healthcare Reit, Inc, at the consideration of USD 11,008,854.78. Summit Union Life, LLC has paid off the consideration on May 1, 2015, and has settled the transfer of titles to properties. Hence, such companies were brought into the consolidation scope since May 2015.

According to the first supplementary agreement of the Agreement, Summit Union Life, LLC acquired 100% interest of four companies, including Summit Longview, Summit Granbury, Summit Jacksonville, and Summit Woodville, held by Summit Healthcare Reit, Inc, at the consideration of USD 11,008,854.78. Summit Union Life, LLC has paid the consideration in amount of USD 8,399,122.28 on November 1, 2015, and has settled the transfer of titles to properties. Hence, such companies were brought into the consolidation scope since November 2015.

According to the second supplementary agreement of the Agreement, Summit Union Life, LLC acquired 100% interest of four companies, including Summit Appleton, Summit Carrington, Summit Marla Vista Manor, and Summit Marla Vista Gardens, held by Summit Healthcare Reit, Inc, at the consideration of USD 5,458,879.84. Summit Union Life, LLC has paid off the consideration on December 25, 2015, and has settled the transfer of titles to properties. Hence, such companies were brought into the consolidation scope since December 25, 2015.

(III) Entities newly brought into and excluded from the consolidation scope

1. Subsidiaries newly brought into the consolidation scope during the reporting period

Entities	Closing balance of net assets	Net profit of the current period
Best Years, LLC (including its subsidiaries)	USD 28,734,994.01	USD 27,030.92

(IV) Main financial data of significant not wholly-owned subsidiaries and associates

Investees	Closing balance of total assets	Closing balance of total liabilities	Closing balance of total net assets	Total operating revenue of the current period	Net profit of the current period
武汉小额信贷服务平台股份有限公司 (Wuhan Microfinance Service Platform Corp.*)	179,771,285	139,539,681	40,231,604	15,326,243	-71,047,002
合众优年（武汉）养老企业管理有限责任公司 (Union Younian (Wuhan) Pension Enterprise Management Co., Ltd.*)	5,054,852	21,035,881	-15,981,029	5,601,128	-2,601,521
吉林北方国际金融资产交易市场股份有限公司 (Jilin North International Financial Assets Transaction Market Co., Ltd.*)	44,750,682	6,358,458	38,392,223	126,443	-11,607,777
Union Property Insurance Co., Ltd.	388,153,762	206,136,678	182,017,084	3,302,120	-10,961,466
Union Assets Management Co., Ltd.	405,477,838	112,366,025	293,111,813	273,377,758	92,879,671
Summit Union Life, LLC	USD 93,698,009	USD 66,754,933	USD 26,943,076	USD 2,945,073	USD 360,345

VII. Notes to items of consolidated financial statements

(I) Notes to items of the consolidated balance sheet

1. Cash and bank balances

(1) Details

Items	Closing balance	Opening balance
Cash on hand		
Cash in bank	2,066,881,818	2,199,147,127
Other cash and bank balances	281,368,906	118,982,442
Total	2,348,250,724	2,318,129,569

(2) Cash in bank - cash in bank in foreign currencies

Items	Closing balance		Opening balance	
	Amount in original currency	RMB equivalent	Amount in original currency	RMB equivalent
RMB		2,011,161,124		2,141,245,398
HKD	139,137	116,566	42,955,990	33,886,692
USD	8,562,912	55,604,128	3,924,667	24,015,037
Total		2,066,881,818		2,199,147,127

(3) As of December 31, 2015, bank deposit of 155,556,358 yuan of Union Assets Management Co., Ltd. was frozen due to pending litigation. Please refer to XI (II) for details.

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2. Financial assets at fair value through profit or loss

Items	Closing balance	Opening balance
Bond investments:		
Enterprise bond	981,455,600	291,013,820
Equity instrument investments:		
Funds	5,853,397,377	1,441,913,700
Stocks		407,695,671
Total	6,834,852,977	2,140,623,191

3. Reverse repo financial assets

Items	Closing balance	Opening balance
Reverse repo bond	710,500,000	36,000,000
Total	710,500,000	36,000,000

4. Interest receivable

Items	Closing balance	Opening balance
Bank deposit interest receivable	494,257,070	418,396,790
Bond interest receivable	547,324,155	565,275,660
Others	33,134,368	22,529,515
Total	1,074,715,593	1,006,201,965

5. Insurance premium receivable

(1) Age analysis

Items	Closing balance			Opening balance		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Within 3 months (inclusive)	198,316,581		198,316,581	161,165,538		161,165,538
Total	198,316,581		198,316,581	161,165,538		161,165,538

(2) Analysis of insurance type

Items	Closing balance				Opening balance			
	Amount	% to total	Provision for bad debts	Carrying amount	Amount	% to total	Provision for bad debts	Carrying amount
Long-term life insurance	150,190,261	76		150,190,261	125,115,042	78		125,115,042
Long-term health insurance	17,441,276	9		17,441,276	6,759,076	4		6,759,076
Non-life insurance	30,685,044	15		30,685,044	29,291,420	18		29,291,420
Total	198,316,581	100		198,316,581	161,165,538	100		161,165,538

6. Reinsurance premium receivable

Items	Closing balance			Opening balance		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Within 9 months (inclusive)	1,910,534,471		1,910,534,471	1,542,065,011		1,542,065,011
Over 9 months	40,446		40,446	6,760,990		6,760,990
Total	1,910,574,917		1,910,574,917	1,548,826,001		1,548,826,001

7. Other receivables

(1) Details

Items	Closing balance				Opening balance			
	Amount	% to total	Provision for bad debts	Carrying amount	Amount	% to total	Provision for bad debts	Carrying amount
Deposit and advances on behalf	23,364,719	4	4,369,309	18,995,410	22,066,721	5	2,171,915	19,894,806
Deposit of bid for land	174,000,000	27	10,620,000	163,380,000	250,000,000	58	1,250,000	248,750,000
Employees' borrowing	5,947,468	1	38,101	5,909,367	3,082,814	1	23,778	3,059,036
External current account	249,383,784	38	3,359,339	246,024,445	17,871,262	4	1,222,460	16,648,802
Prepaid taxes	74,809,455	11		74,809,455	88,130,473	21		88,130,473
Deposit-in-transit of Yinbaotong	127,038,528	19	638,101	126,400,427	43,381,848	10	242,775	43,139,073
Others	1,946,266		116,914	1,829,352	2,641,796	1	87,349	2,554,447
Total	656,490,220	100	19,141,764	637,348,456	427,174,914	100	4,998,277	422,176,637

(2) Age analysis

Items	Closing balance				Opening balance			
	Amount	% to total	Provision for bad debts	Carrying amount	Amount	% to total	Provision for bad debts	Carrying amount
Within 1 year (inclusive)	417,050,827	64	1,857,168	415,193,659	316,193,712	74	1,351,711	314,842,001
1 to 2 years (inclusive)	154,645,968	23	709,825	153,936,143	98,467,404	23	286,768	98,180,636
2 to 3 years (inclusive)	59,595,265	9	11,710,949	47,884,316	7,715,254	2	1,543,051	6,172,203
Over 3 years	25,198,160	4	4,863,822	20,334,338	4,798,544	1	1,816,747	2,981,797
Total	656,490,220	100	19,141,764	637,348,456	427,174,914	100	4,998,277	422,176,637

(3) Details of other receivables with provision made on individual basis

Items	Closing balance	Ages	Provision for bad debts
Prepaid taxes	45,617,409	Within 1 year	
	12,681,013	1-2 years	
	1,040,517	2-3 years	
	15,470,516	Over 3 years	
Total	74,809,455		

As there is obvious difference between prepaid taxes and other receivables in recoverability, no provisions are made on prepaid taxes in the reporting period.

(4) Balance due from related parties

Related parties	Closing balance	Nature
Union Younian (Wuhan) Pension Enterprise Management Co., Ltd.	16,991,105	Call loans
永泰房地产(集团)有限公司 (Eontime Real Estate (Group) Co., Ltd.*)	6,587,300	House rent
和益财务电子商务（北京）有限公司 (Heyi Financial E-Commerce (Beijing) Co., Ltd.*)	1,033,097	House rent
Subtotal	24,611,502	

(5) Other receivables - other receivables in foreign currencies

Items	Closing balance			Opening balance		
	Amount in original currency	Exchange rate	RMB equivalent	Amount in original currency	Exchange rate	RMB equivalent
USD	127,086	6.4936	825,249			
Total	127,086		825,249			

8. Time deposits

(1) By maturity term:

Items	Closing balance	Opening balance
Within 3 months (inclusive)	966,871,115	30,600,000
3 months to 1 year (inclusive)	3,850,287,412	61,053,482
1 year to 2 years (inclusive)	123,000,000	1,500,000
2 to 3 years (inclusive)	1,142,000,000	11,000,000
3 to 4 years (inclusive)		4,710,000,000
4 to 5 years (inclusive)		
Over 5 years		1,142,000,000
Total	6,082,158,527	5,956,153,482

(2) As of December 31, 2015, bank deposit of 57,454,912.00 yuan of Union Assets Management Co., Ltd. was frozen due to pending litigation. Please refer to XI (II) for details.

9. Available-for-sale financial assets

(1) Details

Items	Closing balance	Opening balance

* *The English names are for identification purpose only.*

Available-for-sale bond:		
Enterprise bond	5,962,804,090	5,282,405,498
Available-for-sale equity instruments:		
Funds	476,441,150	139,788,579
Stocks	827,623,366	842,543,417
Other equity instruments	600,000,000	600,000,000
Total	7,866,868,606	6,864,737,494

(2) Related remarks

Other equity instruments are investments in 北京泰鸿颐达商贸有限公司 (Beijing Taihong Yida Trade Co., Ltd.*). Please refer to Note IX (V) for details.

10. Held-to-maturity investments

(1) Details

Items	Closing balance		Opening balance	
	Carrying amount	Fair value	Carrying amount	Fair value
government bonds	21,438,864	23,200,400	21,536,062	21,603,480
Financial bonds	6,168,934,212	6,722,790,970	6,221,899,090	6,323,340,250
Enterprise bonds	6,852,489,345	7,209,073,959	7,302,815,999	7,293,606,720
Subordinated bonds	4,874,382,678	5,229,759,925	5,215,831,833	5,307,180,690
Total	17,917,245,099	19,184,825,254	18,762,082,984	18,945,731,140

(2) Up to the period end, held-to-maturity investments held by the Group are not impaired.

11. Investments classified as loans and receivables

(1) Details

Items	Closing balance	Opening balance
Trust investment plan	7,641,800,000	8,435,200,000
Equity investment plan	500,000,000	833,000,000
Total	8,141,800,000	9,268,200,000
Less: provision for impairment		
Net value	8,141,800,000	9,268,200,000

* *The English name is for identification purpose only.*

(2) Details of trust investment plan

Item	Closing balance	Opening balance
Beijing Trust - Chuangxin No.8	2,997,000,000	2,997,000,000
Beijing Trust - Chuangxin No.7	1,700,000,000	1,700,000,000
CITIC Trust - TEDA Loan	600,000,000	600,000,000
CR Trust and Kunming Wanda project	600,000,000	600,000,000
Zhonghai Trust - Pingan Leasing Rental Income Right Receivable Transfer	400,000,000	400,000,000
Shanghai Trust - Finergy I	398,800,000	399,200,000
Beijing Trust - Xinghuo Fortune No. 2014001	299,000,000	299,000,000
CITIC Trust - Juxinhuijin Estate Funds No. 4	200,000,000	200,000,000
Beijing Trust - Xinghuo Fortune No. 2014018	197,000,000	
Zhonghai Trust - Ping'an Leasing Rental Income Right Receivable Transfer	100,000,000	100,000,000
Zhongrong - Rongde No.1	30,000,000	30,000,000
Zhongrong - Rongde No.2	30,000,000	30,000,000
Zhongrong - Rongde No.3	30,000,000	30,000,000
Zhongrong - Rongde No.4	30,000,000	30,000,000
Zhongrong - Rongde No.5	30,000,000	30,000,000
Beijing Trust - capital appreciation No. 2014002		500,000,000
Beijing Trust - Xinfeng Financial Products No. 2014003		290,000,000
Beijing Trust - Xinfeng No. 3		200,000,000
Subtotal	7,641,800,000	8,435,200,000

(3) Details of equity investment plan

Items	Closing balance	Opening balance
CNPC west pipeline		333,000,000
Nanning Jintong	500,000,000	500,000,000
Subtotal	500,000,000	833,000,000

12. Long-term equity investments

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in associates and joint ventures	72,338,211		72,338,211	30,264,313		30,264,313

(2) Investment in associates and joint ventures

Items	Holding proportion (%)	Voting right proportion (%)	Cost	Adjustment	Other equity changes	Closing balance
Wuhan Microfinance Service Platform Corp.	49.37	49.37	97,129,760	-43,603,739		53,526,021
Union Younian (Wuhan) Pension Enterprise Management Co., Ltd.	32.00	32.00	960,000	-960,000		
Jilin North International Financial Assets Transaction Market Co., Ltd.	49.00	49.00	24,500,000	-5,687,810		18,812,190
Subtotal			122,589,760	-50,251,549		72,338,211

(3) Please refer to Note VI (I) for details on the Group's investments in subsidiaries.

13. Debt investment plans

(1) Details

Items	Closing balance	Opening balance
CPIC – debt plan for Tianxingzhou public railway two-way bridge	350,000,000	350,000,000
Huatai – debt plan for Baoli Energy Project	200,000,000	200,000,000
CPIC – 5-year debt plan for Chongming Yuejiang Project	150,000,000	150,000,000
China Life – debt plan for Pudong Construction		120,014,541
Huatai – debt plan for Power Project	120,000,000	120,000,000
CPIC – debt plan for Jiangsu Guoxin Yangzhou Power Plant	120,000,000	120,000,000
PICC – Binhai New district 10-year debt plan	100,000,000	100,000,000
Huatai – debt plan for State Grid Jiangsu Power Project	50,000,000	100,000,000
Ping'an – debt plan for Jiangyin Bridge		100,000,000
Ping'an – debt plan for Jiangxi Railway	100,000,000	100,000,000
CPIC – debt plan for Taizhou Yangtze Bridge	80,000,000	80,000,000
CPIC Asset – debt plan for Beijing Infrastructure Investment Subway Construction	50,004,219	50,004,219
China Life Shentong Metro debt plan	50,000,000	50,000,000
CPIC – 10-year debt plan for Congming Yuejiang Project	50,000,000	50,000,000
CPIC Assets –debt plan for South-to-north Water Transfer Project	50,000,000	50,000,000
Debt plan for Urumqi Urban Construction	50,000,000	50,000,000

Items	Closing balance	Opening balance
Huatai Guokai Hutong support investment product	10,666,666	31,333,333
Total	1,530,670,885	1,821,352,093

(2) Remarks on debt investment plans

Debt investment plans held by the Group are infrastructure debt plan issued by Union Assets Management Co., Ltd. The term is from 5 to 10 years, and expected return ratio is from 4.99% to 6.64%.

14. Refundable capital guarantee deposits

(1) Details

Deposit bank	Storage form	Deposit term	Closing balance	Opening balance
China Zheshang Bank Co., Ltd., Beijing Branch, Business Department	Time deposit	5 years	310,595,080	210,595,080
Industrial and Commercial Bank of China Limited (ICBC), Wuhan Jianghan Sub-branch	Time deposit	5 years	195,958,920	195,958,920
Agriculture Bank of China, Wuhan Beihu Office	Time deposit	5 years	90,000,000	90,000,000
Agriculture Bank of China, Beijing South Kunming Lake Road Sub-branch	Time deposit	5 years	30,000,000	30,000,000
Agriculture Bank of China, Wuhan Qiaokou Sub-branch, Qingnian Road Office	Time deposit	5 years	30,000,000	30,000,000
Bank of Communications, Beijing Fengtai Sub-branch	Time deposit	5 years	1,000,000	1,000,000
Bank of Communications, Wuhan Huaqiao Sub-branch	Time deposit	5 years	25,000,000	25,000,000
China Merchants Bank Co., Ltd., Beijing Branch, Business Department	Time deposit	5 years	40,000,000	
Total			722,554,000	582,554,000

(2) Remarks

Pursuant to “Insurance Law of the People’s Republic of China”, the Company and its holding subsidiary Union Property Insurance Co., Ltd. shall draw a guarantee fund at the rate of 20% of its total registered capital (3,407,770,000 yuan and 200,000,000 yuan separately) into a bank as time deposit, and use it for no purpose other than repayment of debts at the time of liquidation.

Pursuant to “Rules on Administration of Insurance Agency Institutions”, insurance agency institution shall insure professional liability insurance or shall pay guarantee deposit within 20 days from the date of registration at administration for industry and commerce. The amount of the guarantee deposit should be 5% of the registered capital; when insurance agency institution increases its registered capital, corresponding amount of guarantee deposit should be added; where the amount of guarantee reaches 1 million yuan, it needs not increase guarantee deposit. In the current period, the wholly-owned subsidy Shengshi Union Insurance Sales Co., Ltd. paid guarantee deposit in amount of 1 million yuan as required.

15. Investment property

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Cost:				
Land and buildings	3,524,916,690	751,294,486		4,276,211,176
Changes in fair value:				
Land and buildings	5,109,343,010	-14,909,540		5,094,433,470
Carrying amount:				
Land and buildings	8,634,259,700	736,384,946		9,370,644,646

(2) Up to the period end, investment property with area of 689,448 square meters has not obtained certificate of titles.

(3) Up to the period end, investment property of 543,684,946 yuan has been mortgaged to provide guarantee for borrowings.

16. Fixed assets

Cost

Items	Opening balance	Increase	Decrease	Closing balance
Buildings and structures	659,150,910	3,449,814		662,600,724
Special equipment	156,551,786	23,427,878	17,641,281	162,338,383
Transport facilities	50,449,825	2,104,771	1,879,114	50,675,482
General equipment	31,420,583	27,348,620	358,798	58,410,405
Subtotal	897,573,104	56,331,083	19,879,193	934,024,994

Accumulated depreciation

Items	Opening balance	Increase	Decrease	Closing balance
Buildings and structures	90,138,664	22,111,944		112,250,608
Special equipment	120,563,034	13,316,199	16,312,028	117,567,205
Transport facilities	42,899,864	1,847,231	1,394,625	43,352,470
General equipment	14,855,399	9,441,497	335,131	23,961,765
Subtotal	268,456,961	46,716,871	18,041,784	297,132,048

Carrying amount

Items	Opening balance	Closing balance
Buildings and structures	569,012,246	550,350,116
Special equipment	35,988,752	44,771,178
Transport facilities	7,549,961	7,323,012

General equipment	16,565,184	34,448,640
Total	629,116,143	636,892,946

Fixed assets with cost of 3,449,812 yuan are transferred in from construction in progress upon completion.

(2) Up to the period end, no fixed assets have been mortgaged to provide guarantee.

(3) Fixed assets with certificate of titles not obtained

Items	Cost	Net value	Location	Opening date
Hunan Dingwang Tower	20,618,834	15,063,204	Changsha, Hunan	August 1, 2007
Union Life Badachu Conference Center	261,482,246	244,573,061	Beijing	December 1, 2013
Subtotal	282,101,080	259,636,265		

17. Construction in progress

Items	Opening balance	Increase	Transfer-out	Closing balance
Badachu Conference Center	4,889,748	4,361,879		9,251,627
Wuhan Union Tower Project	13,407,797	3,093,143		16,500,940
Decoration of E1 buildings		3,449,812	3,449,812	
Total	18,297,545	10,904,834	3,449,812	25,752,567

18. Intangible assets

Cost

Items	Opening balance	Increase	Decrease	Closing balance
Computer software	32,932,531	7,298,646		40,231,177
Land use right	36,743,200			36,743,200
Land contractual operation right	135,310,000			135,310,000
Trademark		2,300,000		2,300,000
Subtotal	204,985,731	9,598,646		214,584,377

Accumulated amortization

Items	Opening balance	Increase	Decrease	Closing balance
Computer software	16,755,992	5,142,859		21,898,851
Land use right	2,963,009	734,864		3,697,873
Land contractual operation right	24,130,283	2,706,200		26,836,483
Trademark		95,833		95,833
Subtotal	43,849,284	8,679,756		52,529,040

Carrying amount

Items	Opening balance	Closing balance
Computer software	16,176,539	18,332,326
Land use right	33,780,191	33,045,327
Land contractual operation right	111,179,717	108,473,517
Trademark		2,204,167
Total	161,136,447	162,055,337

19. Other assets

(1) Details

Items	Closing balance	Opening balance
Dividend receivable	48,000,000	48,000,000
Prepayments	47,241,196	40,682,328
Long-term prepayments	24,952,048	16,155,418
Transaction deposit	2,728,702	68,710,415
Financial products		50,000,000
Others	14,131,912	12,735,139
Total	137,053,858	236,283,300

(2) Balance due from related parties

Related parties	Closing balance
Beijing Taihong Yida Trade Co., Ltd. [Note]	48,000,000
Subtotal	48,000,000

[Note]: Please refer to Note IX (V) for details on investment agreement between Beijing Taihong Yida Trade Co., Ltd. and the Company.

20. Repo financial assets

(1) Details

Items	Closing balance	Opening balance
Bonds	6,127,000,000	5,641,409,778
Total	6,127,000,000	5,641,409,778

(2) Remarks on pledge

As of the balance sheet date, bonds with par value of 6,340,220,800 yuan were pledged as collateral for repo financial assets.

21. Reinsured accounts payable

Items	Closing balance	Opening balance
汉诺威再保险股份公司上海分公司 (Hannover Re (Bermuda) Ltd., Shanghai Office*)	11,435,734,403	14,297,754,670
慕尼黑再保险公司北京分公司 (Munich Re Ltd., Beijing Office*)	10,986,705	4,422,861
德国通用再保险股份公司上海分公司 (General Re Corporation, Shanghai Office*)	1,026,757	1,081,947
中国人寿再保险股份有限公司 (China Life Reinsurance Co., Ltd.*)	3,139,839	2,082,205
瑞士再保险北京分公司 (Swiss Reinsurance Company, Beijing Office*)	14,866,815	14,906,224
Total	11,465,754,519	14,320,247,907

22. Employee benefits payable

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	73,403,170	986,125,477	941,321,973	118,206,674
Post-employment benefits - defined benefit plan	32,738	129,961,345	129,437,688	556,395
Total	73,435,908	1,116,086,822	1,070,759,661	118,763,069

(2) Details of short-term employee benefits

Items	Opening balance	Increase	Decrease	Closing balance
Wage, bonus, allowance and subsidy	74,419,184	839,733,702	795,626,742	118,526,144
Employee welfare fund	14,046	18,211,524	18,206,120	19,450
Social insurance premium	-421,138	50,308,295	49,914,230	-27,073
Including: Medicare premium	-408,309	44,669,544	44,314,590	-53,355
Occupational injuries premium	4,424	2,350,518	2,325,298	29,644
Maternity premium	-17,253	3,288,233	3,274,342	-3,362
Housing provident funds	-666,319	70,477,854	70,143,022	-331,487
Trade union fund and employee education fund	57,397	7,394,102	7,431,859	19,640
Subtotal	73,403,170	986,125,477	941,321,973	118,206,674

(3) Details of defined benefit plan

Items	Opening balance	Increase	Decrease	Closing balance
Basic endowment insurance premium	87,461	121,507,775	121,124,022	471,214
Unemployment insurance premium	-54,723	8,453,570	8,313,666	85,181

* *The English names are for identification purpose only.*

Subtotal	32,738	129,961,345	129,437,688	556,395

23. Taxes and rates payable

Items	Closing balance	Opening balance
Business tax	74,008,791	29,703,656
Urban construction tax	5,186,170	2,085,223
Education surcharge	2,227,815	899,957
Individual income tax	9,488,233	6,694,285
Insurance guarantee fund	8,179,647	14,124,082
Business supervision fee	3,395,543	
Land use tax	1,769,283	2,327,928
Local education surcharge	732,548	599,773
Enterprise income tax	31,803,638	434,631
Others	3,844,220	902,128
Total	140,635,888	57,771,663

24. Dividend payable

Items	Closing balance	Opening balance
Summit Healthcare Operating Partnership. LP	1,763,719	
Total	1,763,719	

25. Policy dividends payable

(1) Details

Items	Closing balance	Opening balance
Declared but unclaimed policy dividend	791,377,048	629,008,705
Undeclared policy dividend that owned by the policy holder	251,400,841	146,145,164
Total	1,042,777,889	775,153,869

(2) Policy dividends payable include unclaimed policy dividend of participating insurance policy holder and dividends to be paid in next effective date of the policy.

26. Policy holder deposits and investment funds

Items	Closing balance	Opening balance
Investment account liability arising from breaking down universal insurance	16,051,291,241	13,591,214,996
Polices failing in material insurance risk test		

Items	Closing balance	Opening balance
Investment account liability arising from breaking down other mixed insurance contracts	47,682,390	110,406,572
Total	16,098,973,631	13,701,621,568

27. Insurance reserves

(1) Increase and decrease

Items	Opening balance	Increase	Decrease		Others	Closing balance
			Claiming accounts	Advance rescission		
Unearned reserves	65,655,202	135,658,627	125,953,409	27,121		75,333,299
Reserve for outstanding claim	68,529,593	-6,465,680				62,063,913
Life insurance reserve	28,990,460,501	10,261,807,113	3,553,481,246	6,863,132,383		28,835,653,985
Reserves for long-term health insurance liabilities	297,941,304	-95,376,872	67,652,951	8,755,658		126,155,823
Total	29,422,586,600	10,295,623,188	3,747,087,606	6,871,915,162		29,099,207,020

(2) Remarks on outstanding reserves

Items	Closing balance		Opening balance	
	Less than 1 year (inclusive)	Over 1 year	Less than 1 year (inclusive)	Over 1 year
Unearned reserves	70,037,066	5,296,233	61,629,069	4,026,133
Reserve for outstanding claim	61,961,226	102,687	68,426,866	102,727
Life insurance reserve	2,785,449,534	26,050,204,451	2,882,973,963	26,107,486,538
Long-term health insurance reserve	742	126,155,081	69	297,941,235
Total	2,917,448,568	26,181,758,452	3,013,029,967	26,409,556,633

(3) Details of reserve for outstanding claim

Items	Closing balance	Opening balance
Occurred and reported reserve for outstanding losses	23,704,080	19,623,961
Occurred but unreported reserve for outstanding losses	36,090,358	48,525,330
Claim expense reserves	2,269,475	380,302
Subtotal	62,063,913	68,529,593

28. Long-term borrowings

(1) Details

Borrowing condition	Closing balance	Opening balance
Pledged borrowings	410,070,840	
Total	410,070,840	

(2) Long-term borrowings - long-term borrowings in foreign currencies

Items	Closing balance			Opening balance		
	Amount in original currency	Exchange rate	RMB equivalent	Amount in original currency	Exchange rate	RMB equivalent
USD	63,150,000	6.4936	410,070,840			
Subtotal	63,150,000		410,070,840			

29. Subordinated debt payable

(1) Details

Creditor	Term	Interest rate (%)	Closing balance	Opening balance
Bank of Communications	April 8, 2008 to April 8, 2018	Annual benchmark interest rate+2.68%	600,000,000	600,000,000
Wuhan Urban Commercial Bank	June 17, 2008 to June 17, 2018	6.95%	250,000,000	250,000,000
Bank of Dalian	July 28, 2008 to July 28, 2018	6.95%	150,000,000	150,000,000
Changsha Commercial Bank	July 31, 2008 to July 31, 2018	7%	100,000,000	100,000,000
Total			1,100,000,000	1,100,000,000

(2) Details of subordinated debt

In accordance with the approval by the China Insurance Regulatory Commission's Approval Response of Raising Subordinated Term Debt (numbered Bao Jian Cai Kuai [2007] 1624), the Company completed the issuance of subordinated debt with 10 years term in amount of 1.1 billion yuan to Bank of Communication, Wuhan Urban Commercial Bank, Dalian Bank and Changsha Commercial Bank on July 31, 2008.

Subordinated debt adopts floating interest rate, with nominal interest rate determined by adding 2.60% - 2.68% to annual benchmark interest rate which utilizes the state one-year time deposit interest rate at the value date. If the State should adjust the one-year time deposit interest rate in the debt duration, the benchmark interest rate for the subordinated debt should be adjusted accordingly and calculated as per different period. The subordinated debt offered by Bank of Communication has fixed term of 10 years, while Wuhan Urban Commercial Bank, Dalian Bank and Changsha Commercial Bank provide fixed term of five years plus five years. At the maturity of five-year subordinated term debt, the subscriber could continue to hold five-year subordinated term debt with the interest rate determined by both parties through consultation.

In the current period, supplemental agreements are signed between maturing banks and the Company. These banks continue to hold held-to-maturity subordinated debt with fixed interest rate.

30. Deferred tax liabilities

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Changes in fair value of held-for-trading financial assets	207,336,083	51,834,020	117,868,087	29,467,022
Changes in fair value of investment property	4,864,085,627	1,216,021,407	4,873,846,114	1,218,461,528
Accelerated depreciation of fixed assets			283,569	70,892
Total	5,071,421,710	1,267,855,427	4,991,997,770	1,247,999,442

31. Other liabilities

(1) Details

Items	Closing balance	Opening balance
Other payables	104,538,083	660,145,310
Interests payable	162,823,102	201,154,393
Amounts not transferred into securities settlement account	283,346,104	153,934,283
Construction payable	31,869,656	28,496,840
Clerk deposit	40,452,510	28,707,650
Provisions	1,622,911	1,622,911
Custody fee payable to banks	11,163,651	600,870
Advances received	7,309,535	3,187,300
Accrued expenses	1,910,954	225,000
Others	4,757,607	
Total	649,794,113	1,078,074,557

(2) Balance due to related parties

Item	Name of related parties	Closing balance	Nature
Construction payable	斯迈特投资股份有限公司 (Simaite Investment Co., Ltd.*)	699,192	Construction-agent charges

* *The English names are for identification purpose only.*

Other payables	Union Younian (Wuhan) Pension Enterprise Management Co., Ltd.	334,476	Pension and conference service charge
Subtotal		1,033,668	

32. Share capital

(1) Details

Shareholders	Closing balance				Opening balance			
	Original currency	Actual capital contribution	Contribution proportion %	RMB equivalent	Original currency	Actual capital contribution	Contribution proportion %	RMB equivalent
中发实业(集团)有限公司 (Zhongfa Industry (Group) Co., Ltd.*)	RMB	1,395,826,605	40	1,395,826,605	RMB	581,554,000	20	581,554,000
Simaite Investment Co., Ltd.	RMB	671,352,886	20	671,352,886	RMB	571,852,886	20	571,852,886
湖北德凡投资有限公司 (Hubei Defan Investment Co., Ltd.*)	RMB	504,631,451	15	504,631,451	RMB	434,631,451	14	434,631,451
湖北楚汉经贸公司 (Hubei Chuhan Trade Co., Ltd.*)	RMB	504,387,406	15	504,387,406	RMB	434,387,406	15	434,387,406
北京天信杰投资有限公司 (Beijing Tianxinjie Investment Co., Ltd.*)	RMB	189,926,104	6	189,926,104	RMB	189,926,104	7	189,926,104
太阳生命保险株式会社 (Taiyo Life Insurance Company*)	RMB	141,645,548	4	141,645,548	RMB	141,645,548	5	141,645,548
意大利联合圣保罗人寿股份有限公司 (Intesa Sanpaolo Vita S.p.A.*)	RMB				RMB	553,772,605	19	553,772,605
Total		3,407,770,000	100	3,407,770,000		2,907,770,000	100	2,907,770,000

(2) Remarks on increase and decrease of share capital

1) Pursuant to the resolution of General Meeting, the Company issued 500 million shares to existing shareholders at price of one yuan per share in 2015, and raised fund was in total amount of 500 million yuan. During this share offering, Hubei Defan Investment Co., Ltd., Hubei Chuhan Trade Co., Ltd., Simaite Investment Co., Ltd. and Zhongfa Industry (Group) Co., Ltd. separately increased 70 million shares, 70 million shares, 99.50 million shares and 26.05 million shares, and the increased capital contribution had been paid off. The capital increase has been approved by CIRC.

2) Pursuant to the resolution of General Meeting, Intesa Sanpaolo Vita S.p.A. transferred

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553,772,605 shares of the Company to Zhongfa Industry (Group) Co., Ltd. The capital transfer has been approved by CIRC.

The above capital increase and capital transfer have been registered at administration of industry and commerce.

33. Capital reserve

Items	Opening balance	Increase	Decrease	Closing balance
Share premium	875,000,000			875,000,000
Valuation increase of investment property purchased through related party transaction	235,496,896			235,496,896
Total	1,110,496,896			1,110,496,896

34. Other comprehensive income

Items	Opening balance	Current period cumulative					Closing balance
		Current period cumulative before income tax	Less: OCI carried forward transferred to profit or loss	Less: income tax	Attributable to parent company	Attributable to non-controlling interest	
Gains/losses on changes in fair value of available-for-sale financial assets	4,425,929	238,917,025					243,342,954
Translation reserve		6,394,929					6,394,929
Total	4,425,929	245,311,954					249,737,883

35. Independent account asset and independent account liability

(1) Brief introductions

Independent account of the Group mainly focuses on investment-linked insurance. Investment-linked products are insurance mixed contracts which can be divided. The part belongs to non-insurance risk together with assets from investment of which shall be accounted in independent account. Please refer to Note III (XIX) for more details of related accounting policy.

(2) General information of investment-linked insurance

The Group and the Company's investment-linked insurance includes Union premium investment-linked insurance type A, Union premium investment-linked insurance type B and Union enjoy win No. 1 permanent life insurance (investment-linked type). Four investment accounts are opened under the investment-linked insurance: moderate account, balanced account, aggressive investment account and steady income investment account, which are opened with the approval of China Insurance Regulatory Commission and in accordance with Provisional Regulation on the Management of Investment-linked Insurance issued by the China Insurance

Regulatory Commission and relevant regulations of the Group's investment-linked insurance rules.

(3) Unit number of the Group and the Company's investment-linked insurance investment account and net value of each investment account unit

Account	Opening time	Amount of shares	Closing unit price
Moderate account	January 10, 2008	1,343,775	1.5140
Balanced account	January 10, 2008	1,097,629	1.0455
Aggressive account	January 10, 2008	1,748,538	1.1126
Steady income account	March 26, 2014	81,012,810	1.1369

(4) Details of assets and liabilities of independent account

Items	Closing balance	Opening balance
Assets:		
Cash and bank balances	1,121,557	832,649
Interest receivable	722,308	678,955
Held-for-trading financial assets	39,233,278	40,367,555
Investments in forms of receivables	62,000,000	62,000,000
Total assets	103,077,143	103,879,159
Liabilities:		
Repo financial assets	4,700,000	
Management fees payable	817,670	729,411
Taxes and rates payable	214,617	9,398
Other payables	119,798	98,939
Interest payable	296	
Independent account liabilities	5,720,723	18,448,004
Total liabilities	11,573,104	19,285,752

(5) Management fees of investment accounts of investment-linked insurance

Management fees of investment accounts are collected by the Group from the insurant according to policy terms in the investment linked insurance. The management fees of investment account assets are collected based on a percentage of investment-linked account value and is deducted directly from the investment-linked account value. The Group should accrue management fees of investment accounts according to certain percentage on each evaluation date. The actual collection rate is as follows:

Account	Annual fees rate
Moderate account	1.50%
Balanced account	2.00%

Aggressive account	2.00%
Steady income account	0.70%

(6) Surrender value and service charge under partial collection

If the surrender value and service charge under partial collection are equal to surrender value or the insurance policy account value under partial collection after the insurance responsibilities come into effect, the service charge should be collected based on a percentage of surrender value and value under partial collection. After the insurance liability has come into effect within four years, service charge proportions of the surrender value or account value of insurance policy under partial collection in the first, second, third and fourth policy year are 4%, 3%, 2% and 1%. No service charge is required after the insurance liability has come into effect after four years.

(II) Notes to items of the consolidated income statement

1. Revenue from insurance business

(1) By insurance type

Items	Current period cumulative	Preceding period cumulative
Life insurance:		
Participating insurance	5,132,971,050	4,781,346,350
Universal insurance	16,192,901	16,625,127
Traditional insurance	5,670,941,000	5,952,822,251
Health insurance	1,355,763,475	907,138,077
Accidental injury insurance	158,980,406	118,149,889
Motor vehicle insurance	2,734,935	
Total	12,337,583,767	11,776,081,694

(2) By nature of charges

Items	Current period cumulative	Preceding period cumulative
Single premium income	5,676,902,765	6,068,566,510
First year premium income of regular business	1,813,604,452	942,870,954
Renewal premium income of regular business	4,847,076,550	4,764,644,230
Total	12,337,583,767	11,776,081,694

(3) By insurance term

Items	Current period cumulative	Preceding period cumulative
Long-term insurance	11,514,017,800	11,091,961,098
Short-term insurance	823,565,967	684,120,596

Items	Current period cumulative	Preceding period cumulative
Total	12,337,583,767	11,776,081,694

(4) By the way of sales

Items	Current period cumulative	Preceding period cumulative
Individual agents	6,086,456,538	4,772,522,086
Bank and Post agents	5,198,543,394	6,283,814,433
Professional insurance agents	273,850,771	356,336,218
Direct sales	601,265,540	225,986,203
Insurance brokers	88,541,689	66,828,473
Other part-time agents	88,925,835	70,594,281
Total	12,337,583,767	11,776,081,694

(5) Insurance business incomes all come from original insurance contracts.

2. Reinsurance business

(1) Reinsurance premium to the company and company agent, amortized compensation payout and amortized reinsurance expense are listed below (in order of reinsurance premium amount):

Reinsurance company	Current period cumulative			Preceding period cumulative		
	Reinsurance premium ceded	Refund Compensation payout	Refund Reinsured expenses	Reinsurance premium ceded	Refund Compensation payout	Refund Reinsured expenses
Hannover Re (Bermuda) Ltd., Shanghai Branch	514,249,026	3,923,319,421	37,473,942	13,298,058,947	5,839,595	
Swiss Reinsurance Company, Beijing Office	29,395,878	29,207,213	-510,616	29,093,285	6,002,462	236,096
Munich Re Ltd., Beijing Office	17,729,394	5,663,750	5,268,886	6,281,958	1,860,294	228,547
China Life Reinsurance Company Limited	9,941,521	7,798,212	870	8,011,462	27,347,294	280,137
General Re Corporation, Shanghai office	1,909,713	1,256,460	18,168	2,029,470	1,530,867,271	8,583,860
西班牙曼福再保险公司 (Mapfre Reinsurance Company*)	4,474,809		11,580			
中国太平再保险有限公司北京分公司 (China TAIPING Re Ltd., Beijing Branch*)	16,163		4,849			
富德财产保险股份有限公司 (Fude Property and Casualty Insurance Co., Ltd.*)	7,855		2,356			
中航安盟财产保险有限公司 (Groupama AVIC Property Insurance Co., Ltd.*)	13,661		4,782			
Total	577,738,020	3,967,245,056	42,274,817	13,343,475,122	1,571,916,916	9,328,640

* *The English names are for identification purpose only.*

(2) Reinsurance premium classified by insurance term

Items	Current period cumulative	Preceding period cumulative
Long-term insurance	567,746,432	13,339,187,931
Short-term insurance	9,991,588	4,287,191
Total	577,738,020	13,343,475,122

(3) Other remarks

For amended coinsurance contracts entered in 2014, along with the expiration of reinsurance and insurance surrender and termination, as of December 31, 2015, reinsurance premium receivable was in amount of 1,868,626,442.37 yuan, reinsurance life insurance reserve receivable was in amount of 8,203,736,231.75 yuan, reinsurance premium payable was in amount of 9,960,338,932.77 yuan, and interest payable was in amount of 115,136,851.92 yuan.

3. Unearned premium reserves

(1) Details

Items	Current period cumulative	Preceding period cumulative
Allotted from original insurance contract unearned reserves (less: reversal)	9,678,097	13,346,953
Less: amortized reinsurance contract unearned reserves	2,348,789	1,484,736
Total	7,329,308	11,862,217

(2) By insurance type

Items	Current period cumulative	Preceding period cumulative
Accidental injury insurance	3,173,396	5,023,304
Health insurance	1,791,245	6,838,913
Motor vehicle insurance	2,364,667	
Total	7,329,308	11,862,217

4. Investment income

Items	Current period cumulative	Preceding period cumulative
Held-to-maturity investment income	938,977,697	1,000,028,860
Interests for time deposit, cash and cash equivalents	355,755,159	358,372,617
Interest for debt investment plan in forms of receivables	846,736,799	731,084,210
Available-for-sale financial assets income	1,130,229,069	602,235,029
Investment income of associates	7,444,139	-5,933,270

Items	Current period cumulative	Preceding period cumulative
Income from reverse repo financial assets	2,525,818	15,563,709
Bond conversion fees	-7,255,443	-8,640,269
Derivative financial assets income	-6,499,037	-91,634,732
Investment income from financial assets at fair value through profit or loss	377,007,383	272,818,228
Interest for repo securities	-174,877,691	-167,059,417
Total	3,470,043,893	2,706,834,964

5. Gains on changes in fair value

Items	Current period cumulative	Preceding period cumulative
Financial assets at fair value through profit or loss		
Bonds	11,205,239	22,698,919
Stocks	-61,732,160	60,520,269
Funds	141,483,187	53,540,221
Investment property	-14,909,540	137,962,650
Derivative financial assets	52,663,452	-52,675,932
Total	128,710,178	222,046,127

6. Revenue from other operations

Items	Current period cumulative	Preceding period cumulative
Income of account and asset management fee	88,188,503	71,678,823
House rental income	68,082,100	48,419,918
Interest income from pledged loan of policy holder	35,329,534	28,492,622
Interest income from current deposits	16,092,101	12,974,066
Others	15,447,603	13,907,472
Total	223,139,841	175,472,901

7. Surrender value

(1) Details

Items	Current period cumulative	Preceding period cumulative
Life insurance	6,863,132,383	2,262,630,060
Long-term health insurance	8,759,626	7,547,941
Total	6,871,892,009	2,270,178,001

(2) In the current period, all surrender value comes from original insurance contract.

8. Compensation payout

(1) Details

Items	Current period cumulative	Preceding period cumulative
Time-expired payment	2,869,373,410	2,366,841,336
Pension compensation system	582,374,268	360,416,293
Compensation payout	125,853,090	129,659,457
Accident compensation system for casualties	169,486,839	153,897,582
Total	3,747,087,607	3,010,814,668

(2) Compensation payout classified by insurance contract

Items	Current period cumulative	Preceding period cumulative
Accidental injury insurance	17,961,731	13,039,633
Health insurance	107,726,028	116,619,824
Motor vehicle insurance	165,331	
Subtotal	125,853,090	129,659,457

(3) Details of death, injury and medical treatment expenses

Items	Current period cumulative	Preceding period cumulative
Traditional life insurance	18,002,665	13,119,337
Participating insurance	73,572,463	78,357,766
Universal insurance	10,158,440	10,531,244
Health insurance	67,753,271	51,889,235
Subtotal	169,486,839	153,897,582

(4) In the current period, all compensation payout comes from original insurance contract.

9. Insurance reserve allotment

(1) Details

Items	Current period cumulative	Preceding period cumulative
Allotment of reserves for outstanding claims	-6,465,680	16,630,922
Allotment of life insurance reserve	-154,806,516	5,148,508,545
Allotment of long-term health insurance reserve	-171,785,480	69,154,022
Total	-333,057,676	5,234,293,489

(2) Details of reserves for outstanding claims of original insurance contract classified by contents

Items	Current period cumulative	Preceding period cumulative
Occurred and reported reserve for outstanding losses	4,080,119	5,149,658
Occurred but unreported reserve for outstanding losses	-12,434,971	11,163,603
Claim expense reserves	1,889,172	317,661
Subtotal	-6,465,680	16,630,922

10. Amortized insurance premium reserve

(1) Details

Items	Current period cumulative	Preceding period cumulative
Amortized outstanding claim of reserves	1,660,508	1,694,297
Amortized life insurance reserve	-3,184,215,561	11,897,156,935
Amortized long-term life insurance reserve	4,458,293	622,192
Total	-3,178,096,760	11,899,473,424

(2) In the current period, all amortized insurance liability reserve comes from original insurance contracts.

11. Policy dividend payment

Policy dividend payment is accrued for effective policies and should be assigned to declared dividend and undeclared policy dividend of participating insurance business customers.

12. Taxes and surcharge for operations

Items	Current period cumulative	Preceding period cumulative
Business tax	97,004,957	36,396,870
Urban maintenance and construction tax	6,742,520	2,599,809
Education surcharge and local education surcharge	4,828,758	1,869,998
Others	1,881,073	1,407,891
Total	110,457,308	42,274,568

13. Handling fees and commissions

Items	Current period cumulative	Preceding period cumulative
Handling fees	165,785,053	226,814,117
Commissions:		
Direct first year commissions	324,852,382	193,743,852

Items	Current period cumulative	Preceding period cumulative
Direct subsequent year commissions	80,985,820	79,233,464
Indirect commissions	428,942,965	258,522,778
Total	1,000,566,220	758,314,211

14. Operational and administrative expenses

Items	Current period cumulative	Preceding period cumulative
Employee benefits	1,029,633,971	886,632,812
Website IT service charges	470,037,701	367,365,007
Decoration and rent fees	147,493,930	152,925,614
Business entertainment	89,434,794	77,312,065
Meeting expenses	92,422,162	73,128,010
Publicity expenses	50,319,189	52,411,417
Depreciation and amortization	53,704,195	53,090,495
Consulting fees	49,034,459	46,615,876
Insurance guarantee fund and supervision fees	42,277,019	37,092,151
Postal fees	29,522,799	33,501,080
Travel expenses	39,606,355	32,634,635
Incidental expenses	28,834,439	30,911,307
Property management fees	21,777,261	21,193,325
Taxes	24,049,985	23,887,322
Utilities expenses	20,271,448	18,325,735
Vehicle and vessel use charges	15,988,539	18,601,842
Running costs of electronic equipment	16,334,886	10,231,943
Investment management and custodial fees	5,087,868	2,889,183
Others	126,203,385	115,684,922
Total	2,352,034,385	2,054,434,741

15. Costs of other operations

Items	Current period cumulative	Preceding period cumulative
Interest expenses for universal insurance	753,750,923	589,071,757
Interest expense of subordinated debt	63,578,630	68,715,616
Other interest expenses	361,316,549	221,860,124

Items	Current period cumulative	Preceding period cumulative
Other operation expenses	107,730,808	35,077,893
Total	1,286,376,910	914,725,390

16. Assets impairment loss

Items	Current period cumulative	Preceding period cumulative
Bad debts of other receivables (less: reversal)	14,159,702	1,139,185
Bad debts of account receivables (less: reversal)	19,018	
Total	14,178,720	1,139,185

17. Income tax expenses

Items	Current period cumulative	Preceding period cumulative
Income taxes of current period	32,282,353	469,883
Deferred income tax expenses	19,855,985	63,922,807
Total	52,138,338	64,392,690

18. Other comprehensive income

Please refer to notes to other comprehensive income for post tax balance of other comprehensive income.

(III) Notes to items of the consolidated cash flow statement

1. Reconciliation of net profit to cash flow from operating activities

Supplementary information	Closing balance	Opening balance
Net profit	820,795,769	406,168,236
Add: Provision for asset impairment	14,178,720	1,139,185
Fixed assets depreciation	45,024,438	46,445,460
Amortization of intangible assets	8,679,757	6,645,035
Amortization of long-term prepayments	158,804,549	11,707,431
Loss on disposal of fixed assets and intangible assets (Less: gains)	-14,352	-120,403
Exchanges losses (Less: gains)	-527,517	63,490
Losses on changes of fair value (Less: gains)	-128,710,178	-222,046,127
Investments losses (Less: gains)	-3,470,043,893	-2,706,834,964
Changes in deferred tax assets/liabilities	19,855,985	63,922,807
Interest expense of subordinated debt	357,830,675	237,806,616

Supplementary information	Closing balance	Opening balance
Interest losses of policy pledged loan (Less: gains)	-36,667,687	-28,492,622
Provision for insurance guarantee reserves	2,852,368,391	-6,653,317,718
Increases of deposit and investment from policy holder (Less: decreases)	2,390,642,514	2,936,335,085
Decrease in operating receivables (Less: increase)	-634,413,145	-1,700,320,224
Increase of operating payables (Less: decrease)	-1,910,679,712	13,619,645,074
Net cash flows from operating activities (Less: decrease)	487,124,314	6,018,746,361

2. Net changes of cash and cash equivalents

Items	Closing balance	Opening balance
Closing balance of cash and cash equivalent	2,342,463,339	2,318,129,569
Less: Opening balance of cash and cash equivalent	2,318,129,569	2,100,157,399
Net increase of cash and cash equivalents (Less: decrease)	24,333,770	217,972,170

(IV) Notes to items of the parent company balance sheet

1. Cash and bank balances

(1) Details

Items	Closing balance	Opening balance
Cash on hand		
Cash in bank	1,546,286,124	1,845,647,128
Other cash and bank balances	275,581,520	118,982,442
Total	1,821,867,644	1,964,629,570

(2) Cash and bank balances - cash and bank balances in foreign currencies

Items	Closing balance		Opening balance	
	Amount in original currency	RMB equivalent	Amount in original currency	RMB equivalent
RMB		1,545,150,561		1,811,758,934
HKD	139,137	116,566	42,955,990	33,886,692
USD	156,923	1,018,997	245	1,502
Total		1,546,286,124		1,845,647,128

(3) Up to the period end, no restriction exists on the use of cash and bank balances.

2. Other receivables

(1) Details

Items	Closing balance				Opening balance			
	Amount	% to total	Provision for bad debts	Carrying amount	Amount	% to total	Provision for bad debts	Carrying amount
Deposit and advances on behalf	239,260,517	38	5,356,804	233,903,713	28,779,446	7	2,205,479	26,573,967
Deposit of bid for land	124,000,000	19	620,000	123,380,000	200,000,000	47	1,000,000	199,000,000
Employees' borrowing	4,027,424	1	28,501	3,998,923	3,059,576	1	23,662	3,035,914
External current account	62,389,417	10	12,103,628	50,285,789	55,240,063	13	1,408,718	53,831,345
Prepaid taxes	74,809,455	12		74,809,455	88,130,473	21		88,130,473
Deposit-in-transit of Yinbaotong	127,038,528	20	638,101	126,400,427	43,381,848	10	242,775	43,139,073
Others	1,079,166		112,577	966,589	3,278,253	1	90,531	3,187,722
Total	632,604,507	100	18,859,611	613,744,896	421,869,659	100	4,971,165	416,898,494

(2) Age analysis

Items	Closing balance				Opening balance			
	Amount	% to total	Provision for bad debts	Carrying amount	Amount	% to total	Provision for bad debts	Carrying amount
Within 1 year (inclusive)	408,532,572	65	1,814,575	406,717,997	311,786,416	74	1,329,674	310,456,742
1 to 2 years (inclusive)	140,108,374	22	637,137	139,471,237	97,572,445	23	282,293	97,290,152
2 to 3 years (inclusive)	58,768,400	9	11,545,577	47,222,823	7,712,254	2	1,542,451	6,169,803
Over 3 years	25,195,161	4	4,862,322	20,332,839	4,798,544	1	1,816,747	2,981,797
Total	632,604,507	100	18,859,611	613,744,896	421,869,659	100	4,971,165	416,898,494

(3) Details of other receivables with provision made on individual basis

Items	Closing balance	Ages	Provision for bad debts
Prepaid taxes	45,617,409	Within 1 year	
	12,681,013	1-2 years	
	1,040,517	2-3 years	
	15,470,516	Over 3 years	
Total	74,809,455		

As there is obvious difference between prepaid taxes and other receivables in recoverability, no provisions are made on prepaid taxes in the reporting period.

(4) Balance due from related parties

Related parties	Closing balance	Nature
Union Younian (Beijing) Investment Co., Ltd.	220,000,000	Call loans
Union Health Industry (Shenyang) Investment Co., Ltd.	50,000,000	Call loans
Eontime Real Estate (Group) Co., Ltd.	6,587,300	House rent
Heyi Financial E-Commerce (Beijing) Co., Ltd.	1,033,097	House rent
Union Health Industry (Nanning) Investment Co., Ltd.	241,330	Advance payment
Union Science and Technology Service Co., Ltd.	24,171	Advance payment
Subtotal	277,885,898	

3. Long-term equity investments

(1) Details

Items	Closing balance	Opening balance
Under cost method:		
Investment in subsidies		
Union Health Industry (Wuhan) Investment Co., Ltd.	1,306,000,000	1,229,000,000
Union Health Industry (Shenyang) Investment Co., Ltd.	1,065,000,000	1,020,000,000
Union Health Industry (Nanning) Investment Co., Ltd.	438,200,000	351,200,000
Union Property Insurance Co., Ltd.	398,000,000	198,000,000
Union Life Insurance Co., Ltd.	190,000,000	190,000,000
Hefei Union Life Health Industry Investment Co., Ltd.	100,000,000	100,000,000
Union Health Industry (Ji'nan) Investment Co., Ltd.	55,000,000	100,000,000
Union Science and Technology Service Co., Ltd.	56,600,000	50,000,000
Shengshi Union Insurance Sales Co., Ltd.	50,000,000	50,000,000
Union Younian (Beijing) Investment Co., Ltd.	50,000,000	50,000,000
Best Years, LLC	166,256,083	
Subtotal	3,875,056,083	3,338,200,000
Under equity method:		
Other investments:		
Jilin North International Financial Assets Transaction Market Co., Ltd.	18,812,190	
Wuhan Microfinance Service Platform Corp.	53,526,021	30,264,313

Items	Closing balance	Opening balance
Union Younian (Wuhan) Pension Enterprise Management Co., Ltd.		
Subtotal	72,338,211	30,264,313
Total	3,947,394,294	3,368,464,313

(2) Please refer to Note VI (I) for details on the Group's investment in subsidiaries.

(V) Notes to items of the parent company income statement

1. Investment income

Items	Current period cumulative	Preceding period cumulative
Held-to-maturity investment income	938,977,697	1,000,028,860
Interests for time deposit, cash and cash equivalents	350,279,824	355,819,528
Interest for debt investment plan in forms of receivables	846,736,799	731,084,210
Available-for-sale financial assets income	1,130,229,069	602,235,029
Investment income of associates	7,444,139	-6,300,943
Income from reverse repo financial assets	2,525,818	15,563,708
Bond conversion fees	-7,255,443	-8,640,268
Derivative financial assets income	-6,499,037	-91,634,732
Investment income from financial assets at fair value through profit or loss	375,047,987	270,818,682
Interest for repo securities	-174,877,691	-167,059,417
Total	3,462,609,162	2,701,914,657

(VI) Notes to items of the parent company cash flow statement

1. Reconciliation of net profit to cash flow from operating activities

Supplementary information	Closing balance	Opening balance
Net profit	763,414,716	333,464,942
Add: Provision for assets impairment loss	13,888,446	1,273,816
Fixed assets depreciation	38,436,983	43,383,409
Amortization of intangible assets	5,583,499	5,463,536
Amortization of long-term prepayments	157,990,123	11,707,431
Loss on disposal of fixed assets and intangible assets (Less: gains)	-41,230	-120,403
Exchanges losses (Less: gains)	1,292,530	-107,742
Losses on changes in fair value (Less: gains)	-139,155,742	-82,618,555

Supplementary information	Closing balance	Opening balance
Investments losses (Less: gains)	-3,462,609,162	-2,701,914,657
Changes in deferred tax assets/liabilities	21,534,249	28,995,022
Interest expense of subordinated debt	350,658,815	237,806,615
Interest losses of policy pledged loan (Less: gains)	-36,667,687	-28,492,622
Provision for insurance guarantee reserves	2,849,847,076	-6,653,317,718
Increases of deposit and investment from policy holder (Less: decreases)	2,390,642,514	2,936,335,085
Decrease in operating receivables (Less: increase)	-692,826,435	-1,705,515,001
Increase of operating payables (Less: decrease)	-1,989,348,006	13,637,772,997
Net cash flows from operating activities (Less: decrease)	272,640,689	6,064,116,155

2. Net changes of cash and cash equivalents

Items	Closing balance	Opening balance
Closing balance of cash and cash equivalents	1,821,867,644	1,964,629,570
Less: Opening balance of cash and cash equivalents	1,964,629,570	1,766,157,703
Net increase of cash and cash equivalents (Less: decrease)	-142,761,926	198,471,867

VIII. Segment reporting

(I) Preparation basis of segment reporting

According to requirements of "CASBE 3 - Explanation for Accounting Standard of Business Enterprise published by the Ministry of Finance of PRC, the Group determines operation segments in accordance with internal organizational structure, management requirements, internal reporting system, and determines reporting segments based on operation segment. Operation business of the Group is done inside China in which risk and reward of the economic environment is similar. Accounting policy for segment reporting is same as that for Financial Statement.

(II) Reporting segments of the Group based on operation segment are classified as follows:

1. Individual business

Individual business mainly refers to the individual insurances sold by insurance agents.

2. Bank business

Bank business mainly refers to the individual insurances sold by bank agents.

3. Organization business

Organization business mainly refers to the insurance contracts sold to organization and entity.

4. Real estate business

Real estate business mainly refers to the Real estate business carried out by the Group.

5. Investment business

Investment business mainly refers to the asset management business carried out by the Group.

6. Other businesses

Other businesses mainly refer to policy management service provided to the customer by the Group and non-amortizable income and expense of the Group.

(III) Amortization base for each income and expense needed to be amortized

Investment profit, profit and loss for fair value change and exchange loss should be amortized to each segment in accordance with ratio between monthly average insurance contract reserve and policy holder deposit and investment fund of corresponding part. Business and management fees and other operation expenses should be amortized to each segment in accordance with the expense amortization method filed by the Group to the regulatory institute. Non-operating income and expenses should be amortized to other business segments.

(IV) Amortization base for each asset and liability needed to be amortized

Financial asset and financial liability should be amortized to each segment in accordance with ratio between monthly average insurance contract reserve and policy holder deposit and investment fund of corresponding part. Premium receivable, reinsurance premium and reserve receivable, policy loan, compensation payable, policy dividend payable, reinsurance premium payable, reserve liability, policy holder deposit and investment fund should be directly designated to each segment.

For the year ended December 31, 2015

Items	Personal insurance	Bank agent	Group insurance	New channels	Real estate	Assets management	Property insurance	Unamortized amount	Amount of offset	Total
Incomes from insurance business	6,082,581,820	5,453,453,485	308,641,373	490,172,154			3,302,120		-567,185	12,337,583,767
Less: reinsurance premium	340,776,950	227,413,687	1,958,973	7,550,730			37,680			577,738,020
Provision for unearned reserve	1,278,045	24,643	4,771,619	-1,109,666			2,364,667			7,329,308
Investment income	1,452,605,736	1,987,455,800	13,274,689	9,272,937	2,222,011	3,764,247	1,448,473			3,470,043,893
Gains on changes in fair value	58,377,489	79,872,106	533,485	372,662	-11,578,540		1,132,976			128,710,178
Exchange gains and losses	-542,232	-741,882	-4,955	-3,461		1,820,047				527,517
Revenue from other operations	40,388,650	17,169,815	821,609	192,421	21,222,266	274,557,859	1,704,643	74,351,459	-207,268,881	223,139,841
Total revenue from operations	7,291,356,468	7,309,770,994	316,535,609	493,565,648	11,865,737	280,142,153	5,185,865	74,351,459	-207,836,066	15,574,937,868
Surrender value	214,228,507	6,655,265,402	561,682	1,836,418						6,871,892,009
Compensation payout	681,549,416	2,957,751,250	103,763,178	3,858,432			165,331			3,747,087,607
Less: Amortized compensation expenses	82,230,049	3,881,130,188	1,861,740	2,023,079						3,967,245,056
Provision for unearned reserve	3,291,007,631	-3,633,377,879	-12,666,841	21,811,750			167,663			-333,057,676
Less: Amortized insurance reserve	265,258,601	-3,444,292,736	-215,233	1,141,594			11,014			-3,178,096,760
Policy dividend payment	251,503,523	233,944,691	2,548,883	623,043						488,620,140
Taxes and surcharge for operations	34,138,247	48,696,232	4,697,175	4,660,182	2,767,585	15,309,726	183,564	4,597		110,457,308
Handling fees and commissions	828,633,010	87,229,565	73,131,674	11,129,088			442,883			1,000,566,220
Operational and administrative fees	1,057,243,117	751,087,861	126,112,945	432,493,843	32,738,440	139,862,399	20,210,728		-207,714,948	2,352,034,385

For the year ended December 31, 2015

Items	Personal insurance	Bank agent	Group insurance	New channels	Real estate	Assets management	Property insurance	Unamortized amount	Amount of offset	Total
Less: Amortized reinsurance expenditure	10,712,185	31,464,465	-166	86,346			11,987			42,274,817
Costs of other operations	216,693,595	959,868,885	2,839,423	34,383,327	7,882,466		292	64,830,039	-121,117	1,286,376,910
Assets impairment loss					10,831,455	28,499	-30	13,888,446	-10,569,650	14,178,720
Total operation expenses	6,216,796,211	7,592,164,090	299,341,778	507,545,064	54,219,946	155,200,624	21,147,430	78,723,082	-218,405,715	14,706,732,510
Operating profit (loss)	1,074,560,257	-282,393,096	17,193,831	-13,979,417	-42,354,209	124,941,529	-15,961,565	-4,371,623	10,569,649	868,205,358

As of December 31, 2015

Items	Personal insurance	Bank agent	Group insurance	New channels	Real estate	Investment business	Property insurance	Unamortized amount	Amount of offset	Total
Depreciation and amortization	22,972,667	31,431,213	209,937	146,650	7,665,990	2,896,077	809,848			66,132,382
Capitalized expenditures	16,662,123	22,797,124	152,267	106,365	47,199,337	5,477,724	6,703,747			99,098,687

For the year ended December 31, 2014

Items	Personal insurance	Bank agent	Group insurance	New channels	Real estate	Assets management	Property insurance	Unamortized amount	Amount of offset	Total
Incomes from insurance business	4,771,166,690	6,351,524,809	258,821,806	394,568,389						11,776,081,694
Less: reinsurance premium	319,818,670	13,020,703,417	1,784,450	1,168,585						13,343,475,122
Provision for unearned reserve	1,451,051		9,144,711	1,266,456						11,862,217
Investment income	863,953,353	1,822,256,337	9,571,717	6,133,249	2,312,924	2,239,711			367,672	2,706,834,964
Gains on changes in fair value	26,417,776	55,720,555	292,682	187,541	139,850,650	-423,078				222,046,127
Exchange gains and losses	34,451	72,665	382	245						107,742
Revenue from other operations	27,416,335	16,846,309	585,234	620,678	2,507,810	89,987,357	331,233	62,610,047	-25,432,102	175,472,901
Total revenue from operation	5,367,718,886	-4,774,282,742	258,342,659	399,075,062	144,671,383	91,803,990	331,233	62,610,047	-25,064,430	1,525,206,088

Surrender value	176,516,414	2,092,289,338	385,993	986,256						2,270,178,001
Compensation payout	457,268,707	2,442,596,934	109,231,022	1,718,005						3,010,814,668
Less: Amortized compensation expenses	69,043,808	1,502,398,107	95,898	379,103						1,571,916,916
Provision for unearned reserve	2,856,015,090	2,353,449,147	11,880,152	12,949,100						5,234,293,489
Less: Amortized insurance reserve	250,493,159	11,647,623,608	-48,294	1,404,951						11,899,473,424
Policy dividend payment	94,783,317	155,048,467	1,445,961	197,432						251,475,177
Taxes and surcharge for operations	12,307,107	20,593,537	-671,529	2,442,371	2,640,696	4,959,998		2,388		42,274,568

For the year ended December 31, 2014										
Items	Personal insurance	Bank agent	Group insurance	New channels	Real estate	Assets management	Property insurance	Unamortized amount	Amount of offset	Total
Handling fees and commissions	526,808,913	175,151,247	50,681,449	5,672,603						758,314,211
Operational and administrative fees	782,454,736	712,511,446	99,599,240	358,262,224	34,528,809	86,484,959	7,352,653		-26,759,328	2,054,434,741
Less: Amortized reinsurance expenditure	1,923,303	7,404,557	102	678						9,328,640
Costs of other operations	182,809,971	625,394,597	2,813,106	30,400,167	30,023	171,232	-	73,105,458	837	914,725,390
Assets impairment loss					-1,683	18	30	1,273,816	-132,996	1,139,185
Total operation expenses	4,767,503,984	-4,580,391,558	275,317,687	410,843,428	37,197,846	91,616,206	7,352,683	74,381,661	-26,891,486	1,056,930,451
Operating profit (loss)	600,214,902	-193,891,184	-16,975,028	-11,768,367	107,473,538	187,784	-7,021,450	-11,771,614	1,827,056	468,275,637

As of December 31, 2014										
Items	Personal insurance	Bank agent	Group insurance	New channels	Real estate	Investment business	Property insurance	Unamortized amount	Amount of offset	Total
Depreciation and amortization	19,362,624	40,839,778	214,518	137,456	1,350,308	1,461,574	69,598			63,435,856
Capitalized expenditures	6,657,693	4,490,158	23,585	15,113	5,052,277	2,062,200	4,169,137			22,470,163

IX. Related party relationships and transactions

(I) Related parties

1. Please refer to notes to business combination and consolidated financial statements for details of subsidiaries.

2. Other related parties of the Group

Name of other related parties	Relationship with the Group
Zhongfa Industry (Group) Co., Ltd.	Shareholder (holding 40%)
Simaite Investment Co., Ltd.	Shareholder (holding 20%)
Union Younian (Wuhan) Pension Enterprise Management Co., Ltd.	Associate
Eontime Real Estate (Group) Co., Ltd.	Holding subsidiary of Zhongfa Industry (Group) Co., Ltd.
Beijing Taihong Yida Trade Co., Ltd.	The Company as its shareholder
Heyi Financial E-Commerce (Beijing) Co., Ltd.	Wholly-owned subsidiary of Zhongfa Industry (Group) Co., Ltd.
哈尔滨泰鸿房地产开发有限公司 (Harbin Taihong Real Estate Development Co., Ltd.*)	Wholly-owned subsidiary of Eontime Real Estate (Group) Co., Ltd.
永泰房地产（呼和浩特）有限公司 (Eontime Real Estate (Hohhot) Co., Ltd.*)	Subsidiary of Eontime Real Estate (Group) Co., Ltd.
戴皓 (Dai Hao)	Actual controller
戴迪 (Dai Di)	Direct relative of 戴皓 (Dai Hao)

(II) Related parties transactions

1. Lease

(1) Buildings leased out to related parties

Lessees	Type of leased assets	Lease income for current period	Lease income for the preceding period
Eontime Real Estate (Group) Co., Ltd.	E1 Building	12,774,600	12,774,600
Heyi Financial E-Commerce (Beijing) Co., Ltd.	4th floor of Union Tower		1,067,130

(2) Buildings leased in from related parties

Lessors	Type of leased assets	Lease expenses for current period	Lease expenses for the preceding period
戴皓 (Dai Hao) and 戴迪(Dai Di)	Branch office	5,258,796	8,866,858
Eontime Real Estate (Group) Co., Ltd.	Basement of Union Tower	2,323,001	2,248,176
Zhongfa Industry (Group) Co., Ltd.	Branch office	11,737,320	11,737,320

2. In 2014, the Company purchased the collective capital trust plan established by Beijing International Trust Co., Ltd. with total amount of 4.697 billion yuan. The financing entity of this trust plan is Eontime Real Estate (Group) Co., Ltd.

* *The English names are for identification purpose only.*

Details are:

Trust plan	Project company	Project name	Amount of trust	Trust term	Estimated annual returns rate (%)	Interest proceeds of the current period	Interest receivable at the period end
Chuangxin No. 7	Harbin Taihong Real Estate Development Co., Ltd.	Harbin Eontime city project	1.70 billion	7 years	8.30	135.5795 million	3.7195 million
Chuangxin No. 8	Eontime Real Estate (Hohhot) Co., Ltd.	Hohhot Eontime city project	2.997 billion	7 years	8.30	238.3329 million	6.5573 million
Total			4.697 billion			373.9124 million	10.2768 million

(III) Please refer to notes to related items for amount due to or due from related parties.

(IV) Key management's emoluments

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	43.21 million	33.35 million
Subtotal	43.21 million	33.35 million

(V) Investments in Beijing Taihong Yida Trade Co., Ltd.

1. Brief introduction

Beijing Taihong Yida Trade Co., Ltd. is a wholly-owned subsidiary of Eontime Real Estate (Group) Co., Ltd. (with registered capital of 2 million yuan). Pursuant to relevant investment agreement, the Group will increase capital of Beijing Taihong Yida Trade Co., Ltd. in amount of 600 million yuan after Eontime Real Estate (Group) Co., Ltd. finished the capital increase and contribution of Beijing Taihong Yida Trade Co., Ltd. Among which, 20.84 million yuan is paid-in capital, and the rest is capital reserve. Amount of capital increase is used in New Trade and Commercial Logistics Center Project and daily operation.

2. Agreement on and accrual of earnings

Beijing Taihong Yida Trade Co., Ltd. pays break-even annual earnings i.e. 8% of the total investment amount to the Company; for earnings over 8% of the total investment amount, the Company does no has corresponding distribution right.

Pursuant to profit distribution plan of 2015 passed by the General Meeting of Beijing Taihong Yida Trade Co., Ltd. on December 31, 2015, dividend distributed to the Company totaled 48,000,000 yuan. Based on the said profit distribution plan and related investment agreement, the Company recognized dividend receivable due from Beijing Taihong Yida Trade Co., Ltd. for the year ended December 31, 2015 at a total of 48,000,000 yuan.

3. Agreement on equity repurchase

Eontime Real Estate (Group) Co., Ltd. and Beijing Taihong Yida Trade Co., Ltd. committed that the annual profit incomes of Beijing Taihong Yida Trade Co., Ltd. will be no less than 8% of the total investment amount by the Group and Beijing Taihong Yida Trade Co., Ltd. would go public within 5 years; if the said commitment was not delivered, the Group has the right to require Eontime Real Estate (Group) Co., Ltd. to repurchase the equity at original investment amount.

X. Risk Management

The Group faces various insurance risk, financial risk, and mismatch risk between asset and liability in operation activity, in which insurance risk is generated by major insurance contract, financial risk is generated by major financial instrument. Insurance contract of the Group includes original contract and reinsurance contract. Major financial instruments include equity investment, liability investment, account receivable, account payable, borrowing, policy holder deposit and investment fund. Refer to "Note VII' for details of these insurance contracts and financial instruments. Risks related to these insurance contracts and financial instruments, and risk management policies adopted by the Group to lower these risks are described as follows. The Group's management manages and monitors these risk exposures so as to ensure that above risk is controlled in limited scope.

Tolerance of risk is the core features of the Group's operation activity. The target of risk management by the Group is to balance risk and profit, and minimize the negative influence of risk on the Group's operation performance, and maximize the profit of shareholder and other equity investor, and to decrease unfavorable effect on the financial status as much as possible. Base on this risk management target, the fundamental strategy of the Group's risk management is to identify and evaluate various risks in the industry, establish appropriate risk tolerance baseline and risk management, and to supervise all risks timely and reliably so as to control risk in limited scope.

(I) Insurance risk

Insurance risk refers to the possibility of insured event and uncertainty of compensation amount and time caused consequently. Major insurance risk faced by the Group is that actual compensation amount and policy holder profit payment exceeds the book value of accrued insurance reserve, which is effected by claim ratio, severity of claim, actual compensation and long-term claiming progress. Insurance risk management is the major target of the Group's risk management. The Group takes solvency maintenance as an important index for regular operation and ensures that sufficient insurance reserves are allotted to pay such liabilities.

1. Insurance risk type

Insurance risk may occur in many situations, for example, possibility of insurance accident occurrence number differing from expectation (occurrence risk), possibility of insurance accident occurrence cost differing from expectation (severity risk), and possibility of policy holder's premium amount changing after expiration of contract (development risk).

Specifically, insurance risk is mainly reflected by product pricing risk, insurance reserve risk and reinsurance risk.

(1) Product pricing risk

Product pricing risk refers to the deviation between actual surrender rate, claim rate, investment yield and expense rate between product pricing hypothesis and the influence of these deviations on the Group. Measures taken by the Group to mitigate the risks include:1) Adopting conservative occurrence rate and large safety margin when pricing; conducting real-time trace after product entering market, adjusting price or stop sales based various empirical analyses and deviation between pricing hypothesis and actual results;2) Establishing strategy asset allocation plan, and setting pricing hypothesis yield in accordance with investment yield of strategy allocation;3) Establishing matching business plan and expense plan, and adopting strict expense management system.

(2) Insurance reserve risk

Insurance reserve risk refers to insurance reserve allotted is insufficient to pay actual compensation and policy holder profit payable because of inappropriate accrual standard and method. Measures taken by the Group to mitigate the risks include:1) Measuring insurance contract reserve based on reasonable estimation of expenses necessary for the performance of relevant obligations under the insurance contract, and conducting adequacy test to unearned premium reserve, outstanding claim reserve, life insurance reserve, long term health insurance reserve base on overall business on balance sheet date;2) Evaluating solvency margin ratio of the company in accordance with legal premium reserve, and implementing solvency regulation measures.

(3) Reinsurance risk

Reinsurance risk refers to loss risk of inadequate control over the distribution of self-retention risk and transfer risk caused by inappropriate arrangement of reinsurance resulting in unexpected claim; at the same time, even though the Group might have already signed reinsurance contract, but this should not alleviate the Group's direct responsibility towards policy holder. Therefore, credit risk caused by reinsurance company's failure to perform responsibilities under the reinsurance contract is also possible. Measures taken by the Group to mitigate the risks include:1) Arranging and adjusting the self-retention risk premium and premium ration of reinsurance reasonably in accordance with the business development situation of the Group;2) Arranging reasonable and appropriate reinsurance, carrying out reinsurance business with reinsurance company with high credit; standards for choosing reinsurance company by the Group includes financial strength, service, reinsurance clause, claim settlement efficiency and price.

The Group chooses and accepts insurable risk through risk type development and underwriting; evaluates, measures, and monitors insurance risk to be tolerated through monitoring solvency, adequacy of insurance reserve and other indexes; limits and transfer insurance risk to be tolerated through reinsurance arrangement and other measures.

2. Insurance risk concentration

Operation business of the Group is done inside China, therefore, insurance risk classified by region mainly concentrates in China.

The Company's insurance contracts classified by concentration of insurance type are as follows:

Incomes from insurance business

Name of insurance	Current period cumulative		Preceding period cumulative	
	Amount	Proportion%	Amount	Proportion%
Union zhiying changhong two-way insurance	4,804,153,000	38.95	5,245,849,000	44.55
Union dayingjia two-way insurance (participation)	1,155,489,004	9.37		
Union pension fixed investment annuities insurance (participation)	519,801,276	4.21	533,717,436	4.53
Union fortune annuity insurance (participation) class A	503,187,390	4.08	524,950,847	4.46
Union xingfurensheng permanent life insurance (participation)	457,641,296	3.71	467,418,641	3.97
Other insurances	4,897,311,801	39.68	5,004,145,770	42.49
Total	12,337,583,767	100.00	11,776,081,694	100.00

Insurance payment

Insurance type	Current period cumulative		Preceding period cumulative	
	Amount	Proportion%	Amount	Proportion%
Union changhong two-way insurance (participation) class A	1,473,786,317	39.34	2,146,591,649	71.30
Union changhong dingfeng two-way insurance (participation)	747,777,862	19.96	942,245	0.03
Union changhong yongfeng two-way insurance (participation)	462,827,473	12.35	96,842,105	3.22
Union zhizun changhong two-way insurance (participation)	186,230,663	4.97	9,725,648	0.32
Union fortune annuity insurance (participation) class A	183,710,907	4.90	44,590,733	1.48
Other insurances	692,754,385	18.48	712,122,289	23.65
Total	3,747,087,607	100.00	3,010,814,669	100.00

Life insurance contract reserves

Insurance type	Current period cumulative		Preceding period cumulative	
	Amount	Proportion%	Amount	Proportion%
Union dayingjia two-way insurance (participation)	758,591,960	-490.03	870,361	0.02
Union jufu fixed investment two-way insurance (participation)	376,010,712	-242.89	20,195,770	0.39
Union xingfurensheng permanent life insurance (participation)	314,133,276	-202.92	149,249,077	2.90
Union pension fixed investment annuities insurance (participation)	259,519,039	-167.64	31,308,813	0.61
Union fortune annuity insurance (participation) class A	247,959,782	-160.17	3,005,913	0.06
Other insurances	-2,111,021,285	1,363.65	4,943,878,611	96.02
Total	-154,806,516	100.00	5,148,508,545	100.00

3. Hypothesis and sensitivity analysis

(1) Long term life insurance and health insurance contracts

The Group should make important judgment over discount rate hypothesis, insurance incident rate hypothesis (mainly including mortality rate and disease incident rate), surrender rate hypothesis, expense hypothesis, policy dividend hypothesis when measuring the premium reserve for long term life insurance and health insurance contacts, and these measurement hypothesis should be determined based on the current information that can be obtained on the balance sheet date.

(2) Discount rate

For insurance contract whose future insurance interest is not influenced by the corresponding asset portfolio investment interest, the Group determines the discount rate hypothesis based on the Treasury Yield Curve of 750 working days prepared by China Government Securities Depository Trust & Clearing Co., Ltd. together with considering liquidity, tax and other factors when considering the influence of currency time value. Discount rate hypothesis adopted in 2015 is arrived by adding 60 bp to the Treasury Yield Curve of 750 working days on Dec. 31, 2015 (Discount rate hypothesis adopted in 2014 is arrived by adding 60 bp to the Treasury Yield Curve of 750 working days on Dec. 31, 2014).

For insurance contract whose future insurance interest is influenced by the corresponding asset portfolio investment interest, the Group determines the expected investment yield of corresponding asset portfolio together with considering the influence of currency time value. Discount rate hypothesis adopted in 2015 is 5% (same as that of 2014).

(3) Mortality rate and disease incidence rate

Mortality rate hypothesis is determined according to the previous mortality rate data of the Group and evaluation of current and future expectations. Mortality rate hypothesis is displayed in 100 percent of Life Table of China's Life Insurance Industry.

Disease incidence rate hypothesis is determined according to the previous disease incidence rate data of the Group and evaluation of current and future expectations.

Risk margin is also considered by the Group when determining mortality rate and disease incidence rate.

(4) Surrender rate

Surrender rate hypothesis is determined based on the Group's product features, previous surrender rate data together with considering risk margin, and estimation of current and future expectations based on current information that can be obtained on the balance sheet date. Surrender rate hypothesis is determined respectively according to pricing level, product type and marketing channel.

(5) Expense ratio

Unit cost hypothesis is determined based on analysis of actual experience and future expectation together with considering risk margin, also, future expected inflation for unit maintenance expenses is considered.

(6) Sensitivity analysis

Assuming that other hypotheses adopted the Group when measuring insurance contract reserve remain the same, then reasonable changes possible for following hypotheses would have the below influence on current period profit or loss: (unit: RMB 1,000 yuan)

Hypothesis factor	Changes	2015	2014
		Effect on the pretax profit	Effect on the pretax profit
Mortality rate and major disease incidence rate	10%	-4,861	-3,441
	-10%	4,762	3,313
Surrender rate	10%	29,632	26,475
	-10%	-26,665	-29,902
Renewal term expense rate	10%	-11,698	-9,872
	-10%	11,698	9,872
Discount rate	+50bp	55,078	51,640
	-50bp	-63,197	-58,936

(II) Financial instrument risk

1. Market Risks

Market risks refer to possibility in the change of fair value of financial instruments caused by floating exchange rate (foreign currency risk), market interest rate (interest rate risk) and market price (price risk), no matter the price change is the result of individual instrument or its issuer's specific factors or factors that influencing all the instruments transacted on the market.

The Group implements the following policies and procedure to alleviate possible market risks:1) The methods for evaluating and determined combining factors of market risks faced by the Group is described in the risk management policy of the Group. The compliance with policies will be monitored and any leakage or violations will be reported to the Risk Management Committee. The management of the Group will regularly review the risk management policies so as to ensure that the changes in risk environment can be reflected.2) Establishing matching guidelines for asset allotment and investment portfolio to insure that asset is sufficient to pay corresponding policy holder's liability, and provide income and profit meeting the expectation of the policy holder.

(1) Foreign currency risk

Foreign currency risk refers to possibility of loss caused by exchange rate change. Foreign currency risk tolerated by the Group is mainly connected with USD and HKD. Except particular business is related to foreign currency, other major business of the Group is settled in RMB.

Assets and liabilities of the Group at balance sheet date presented by major currencies are as follows:

Items	As at December 31, 2015		
	USD (RMB equivalent)	HKD (RMB equivalent)	Total RMB equivalent
Cash and bank balances	61,391,514	116,566	61,508,080
Other receivables	825,249		825,249
Available-for-sale financial assets	119,313,810		119,313,810
Time deposits	25,454,912	35,871,115	61,326,027
Investment property	543,684,946		543,684,946
Fixed assets	19,440,931		19,440,931
Other assets	9,402,445		9,402,445
Employees benefits payable	85,703		85,703
Taxes and rates payable	1,560,738		1,560,738
Dividends payable	1,763,719		1,763,719
Long-term borrowings	410,070,840		410,070,840
Other liabilities	17,429,550		17,429,550
Total	1,210,424,357	35,987,681	1,246,412,038

Items	As at December 31, 2014		
	USD (RMB equivalent)	HKD (RMB equivalent)	Total RMB equivalent
Cash and bank balances	7,738,497	109,750	7,848,247
Time deposits	16,276,540	33,776,942	50,053,482
Total	24,015,037	33,886,692	57,901,729

As the Company exist significant risk exposure of USD foreign currency, the table below lists sensitivity analysis of monetary funds, monetary liabilities and estimated future cash flow (Monetary Unit: RMB Yuan). It calculates the influences of reasonable and possible exchange rate changes on profit before tax. Negative number means the decrease of profit before tax, while positive number means the increase of profit before tax.

USD	Current period cumulative	Preceding period cumulative
Changes in foreign currency rate %	+/-1%	+/-1%
Influences on profit before tax (RMB equivalent)	340,410/-340,410	330,873/-330,873

(2) Interest rate risk

Interest rate risk refers to the possibility of fluctuation in the value of financial instruments/future cash flow caused by market interest rate change.

Floating interest rate instrument would bring cash flow interest rate risk to the Group, while fixed interest rate instrument would bring fair value interest rate to the Group.

Interest rate risk policy of the Group points out that the Group should maintain appropriate fixed and floating interest rate instrument portfolio so as to manage interest rate risk. Relevant policies have set out regulations on the Group's management of interest accrual financial asset and interest accrual financial liability maturity. Floating interest rate instrument would be reevaluated less than a year generally. Interest rate for fixed interest rate instrument is regulated upon the initialization of relevant financial instruments, which would remain the same before maturity.

(3) Price risk

Price risk refers to the possibility in the change of fair value of financial instruments caused by market price change (excepted changes caused interest rate risk and foreign currency risk), no matter the price change is the result of individual instrument or its issuer's specific factors or factors that influencing all the instruments transacted on the market.

Investments held by the Group, classified in available-for-sale financial asset and held-for-trading financial assets, are measured with fair value on balance sheet date. Therefore, the Group tolerates the security market change risk. The Group adopts the method of holding combination of various equity securities to lower the price risk of equity security investment.

In addition, the Group holds investment property measured with fair value, so, investment property price change risk is possible for the Group.

2. Credit risk

Credit risk refers to the possibility of financial loss borne by on party caused by the failure to performance obligation by another party of the financial instrument.

On Dec. 31, 2015, credit risk exposure which might cause financial loss to the Group is mainly generated by the Group's financial asset loss caused by the other contract party's failure to perform its obligation and financial guarantee provided by the Group, including:

Book value of financial asset confirmed in the consolidated balance sheet; for financial instruments measured with fair value, its book value reflects its risk exposure, but not the maximum risk exposure, which would change in line with the future fair value.

In order to lower credit risk, the Group establishes a term to be in charge of determining credit level, authorizing credit, and taking other necessary monitoring procedures to ensure recovery of stale creditor's right. In addition, the Group reviews the recovery of each account receivable on each balance sheet date so as to ensure sufficient bad debt reserve is accrued to account that can be collected. Therefore, the Group management holds the opinion that credit risk tolerated by the Group has been decreased substantially.

Working fund of the Group is deposits in the bank with high credit level, which means low credit risk for working fund.

Debt investment of the Group includes government bonds, government and institution debt, enterprise bond and subordinated debt/bond. On December 31, 2015, all of the Group's enterprise bonds have credit level of AA or above. On Dec. 31, 2015, 100% of the Group's subordinated debts/bonds have credit level of AA or above, or are issued by national commercial bank. Credit level of bond/debt is evaluated by domestic appraisal agencies with qualification on its issuance date.

On December 31, 2015, reinsurance businesses are allocated to Hannover Re (Bermuda) Ltd., Shanghai Office, Swiss Reinsurance Company, Beijing Office, Munich Re Ltd., Beijing Office, China Life Reinsurance Co., Ltd. and other large-scale reinsurance companies with good reputation. The Group believes that these reinsurance companies have high credit in China, and that credit risk related to reinsurance asset would not have significant influences on the Financial Statement of the Group as of December 31, 2015.

3. Liquidity risk

Liquidity risk refers to the possibility that enterprise fails to finance enough funds to pay debts related to financial instruments. Liquidity risk may be caused by failure to sell financial asset with fair value in time; or failure of other party to pay due contract debt; or failure of generation of expected cash flow.

The Groups allows the surrender, reduction and advance rescission of policy by other methods, which bring the Group with potential liquidity risk. By matching the investment asset term with the corresponding insurance liability term, the Group would be able to control liquidity risk and performance its payment responsibility, and provide fund for the Group's debit and investment business in time.

The Group implements the following policies and procedure to alleviate possible liquidity risks: 1) Methods for evaluating and determined combining factors of liquidity risk faced by the Group are described in the liquidity risk policy of the Group. The compliance with policies will be monitored and any leakage or violations will be reported to the Risk Management Committee. The management of the Group will regularly review the risk management policies so as to ensure that the changes in risk environment can be reflected.2) Establish guidelines for asset allotment, investment portfolio setting, and asset maturity combination to ensure the company holds sufficient fund to pay contract debt.

Undiscounted cash flow of the Group's major financial asset, financial liabilities and insurance liabilities is showed in the following table:

December 31, 2015	Book value	Maturity unidentified	Contract and estimated cash inflow (Less: outflow) (non-discounting)			
			Within 1 year	1-3 years	3-5 years	Over 5 years
Debt investments	24,861,504,789		1,094,194,379	5,501,217,077	3,221,237,167	15,044,856,166
Equity investments	7,757,461,893	7,757,461,893				
Reverse repo financial assets	710,500,000		710,500,000			
Time deposit	6,082,158,527		4,817,158,527	1,265,000,000		
Investments classified as loans and receivables	8,141,800,000		750,000,000	1,895,800,000	799,000,000	4,697,000,000
Refundable capital guarantee deposits	722,554,000		266,642,920	260,911,080	95,000,000	100,000,000
Policy holder pledge loans	731,677,782		731,677,782			
Debt plan investments	1,530,670,885		190,670,885	490,000,000	660,000,000	190,000,000
Interest receivable	1,074,715,593		1,074,715,593			
Premium receivable	198,316,581		198,316,581			
Reinsurance premium receivable	1,910,574,917		1,910,574,917			
Cash and cash equivalents	2,342,463,335		2,342,463,335			
Subtotal of financial assets	56,064,398,302	7,757,461,893	14,086,914,919	9,412,928,157	4,775,237,167	20,031,856,166
Repo financial assets	6,127,000,000		-6,127,000,000			
Subordinated debt	1,100,000,000			-1,100,000,000		

December 31, 2015	Book value	Maturity unidentified	Contract and estimated cash inflow (Less: outflow) (non-discounting)			
			Within 1 year	1-3 years	3-5 years	Over 5 years
Policy holder deposits and investment funds	16,098,973,631	-3,588,774,043	-8,125,108	-4,358,667	-6,674,561	-12,491,041,252
Indemnity accounts payable	1,737,046,298		-1,737,046,298			
Reinsured accounts payable	11,465,754,519	-11,465,754,519				
Policy dividends payable	791,377,048	-791,377,048				
Handling fees and commissions payable	57,733,174		-57,733,174			
Subtotal of financial liabilities	37,377,884,670	-15,845,905,610	-7,929,904,580	-1,104,358,667	-6,674,561	-12,491,041,252

(III) Fair value

Fair value of financial assets and liability is recognized according to the following methods:1) Fair value of financial assets and liability with standard provisions and active market should be recognized as per current offer and charge in corresponding active market;2) Fair value of other financial assets and liability (not including derivatives) should be recognized in accordance with general pricing model which is based on discounted future cash flow or observable market transaction price.

Management in the Group thinks book value of financial assets and liability that are measured as per amortized cost in the financial statement is approximate to fair value of those financial assets and liabilities.

For financial assets and liability that are to be measured subsequently by fair value, the three levels in measurement of fair value are as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (from the price) or indirectly (calculated based on the price);

Level 3: input of financial assets and liability based on variables other than observable market data (unobservable input).

Items	As at December 31, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Bond investments	383,025,600	598,430,000		981,455,600
Equity instrument investments	5,853,397,377			5,853,397,377
Available-for-sale financial assets:				
Bond investments	103,670,000	5,859,134,090		5,962,804,090
Equity instrument investments	1,304,064,516			1,304,064,516

Items	As at December 31, 2015			
	Level 1	Level 2	Level 3	Total
Investment property:			9,370,644,646	9,370,644,646
Independent account:				
Financial assets at fair value through profit or loss:				
Bond investments	34,197,358			34,197,358
Equity instrument investments	5,035,920			5,035,920
Total	7,683,390,771	6,457,564,090	9,370,644,646	23,511,599,507

Items	As at December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Bond investments	147,878,800	143,135,020		291,013,820
Equity instrument investments	1,849,609,371			1,849,609,371
Available-for-sale financial assets:				
Bond investments	851,524,758	4,430,880,740		5,282,405,498
Equity instrument investments	982,331,996			982,331,996
Investment property:			8,634,259,700	8,634,259,700
Independent account:				
Financial assets at fair value through profit or loss:				
Bond investments	29,064,364			29,064,364
Equity instrument investments	11,303,190			11,303,190
Total	3,871,712,479	4,574,015,760	8,634,259,700	17,079,987,939

XI. Contingencies

1. In consideration of business nature of insurance and financial service, the Group will be involved in various evaluations, contingencies and lawsuits in normal operation, including acting as a defendant or plaintiff in legal action and an applicant or respondent in arbitration. Negative effects resulted from the above disputes mainly include the claims for insurance policy and other issues. The Group has made accrual reserves for possible losses, including reserves accrued for claims (such as policies) after reasonable assessment made by the management to the above action results with reference to opinions from lawyer.

For any pending action with no reasonable estimate for the result or small possibility of lawsuit loss considered by the management, no relevant reserves will be accrued. For those pending action, the management believes that obligations of the final award will not bring material negative effect upon financial situation and business performance of the Group and its subsidiaries.

2. Pending lawsuit

In May 2014, Union Assets Management Co., Ltd. as the administrator, accepted investment order from China Guangdong Development Bank (CGDB), Beijing Branch, and invested the entrusted assets of 300 million yuan in Jiangsu Bank, Nanjing Xiaguan Sub-branch as one-year time deposit.

In May 2014, Union Assets Management Co., Ltd. as the administrator, accepted investment order from Jiangsu Bank, and invested the entrusted assets of 300 million yuan in Tianjin Bank, Jinan Branch as one-year time deposit.

In November 2014, the entrusted assets that entrusted by Jiangsu Bank and invested in Tianjin Bank, Jinan Branch was illegally transferred out. In December 2014, Jiangsu Bank applied to China International Economic and Trade Arbitration Commission for arbitration against Union Assets Management Co., Ltd., asking Union Assets Management Co., Ltd. to return a total of 300,558,250.00 yuan, including the entrusted assets of 300 million yuan and the investment income therefrom of 558,250.00 yuan.

In January 2015, CGDB, Beijing Branch as the plaintiff filed a lawsuit to Beijing Municipal First Medium Court against Union Assets Management Co., Ltd., asking Union Assets Management Co., Ltd. to return a total of 309 million yuan, including the entrusted assets of 300 million yuan and the compensation for loss of 9 million yuan.

In January 2015, Union Assets Management Co., Ltd. filed criminal charge against Tianjin Bank, Jinan Branch and its marketing personnel. In April 2015, Union Assets Management Co., Ltd. brought a lawsuit to Shandong Supreme Court against Tianjin Bank, Jinan Branch, and CGDB, Beijing Branch and Jiangsu Bank as the third parties in this case.

A total of 213,011,270 yuan in the Group’s account, including current deposit of 155,556,358 yuan and time deposit of 57,454,912 yuan has been frozen due to the aforementioned matters.

As of February 19, 2016, the aforementioned cases are still under processing. Based on the representing lawyers’ opinion, there is little possibility of loss in the 300 million yuan involved in the aforementioned lawsuits and arbitration. The final results are to be determined by effective legal documents.

XII. Commitments

(I) Capital commitment

Capital commitment of the Group and the Company are:

Commitments	Closing balance	Opening balance
Signed but not accrued in the account	5,226,628	3,992,189

(II) Commitment of operating lease

As of the balance sheet date, irrevocable operating lease contracts the Group and the Company signed are as follows:

Minimum lease payment of irrevocable operating lease	Closing balance	Opening balance
The first year after the balance sheet date	111,471,794	106,580,493
The second year after the balance sheet date	75,879,769	57,633,203
The third year after the balance sheet date	38,579,031	24,809,061
The following years	6,081,327	7,629,448
Total	232,011,921	196,652,205

XIII. Other important matters

(I) Canwin CPVs Ltd. by setting December 31, 2015 as the benchmark date, assessed the value of the aforementioned investment property based on market method and assumed development method, whose book value is 3,727,377,200 yuan, and has recognized cumulative changes in fair value of 5,099,582,500 yuan, of which -9,760,500 yuan was included in profit or loss of 2015.

(II) Pursuant to Agreement of Cooperation between the Company and 合众时代（北京）会议服务有限公司 (Union Times (Beijing) Conference Service Co., Ltd.*) (one-person limited liability company established by the trade union committee of the Company, hereinafter referred as the "Union Times"), the Company consigned daily operations and property maintenance of Conference center for eight divisions (the "Training Center") to the Union Times, who would provide services such as holding meeting and organizing activities to the Company. Expenses arising from water, electricity, fuel, pollution and heating etc. are covered by the Company. Incomes from outside businesses of guest rooms and meeting rooms are agreed to be paid for expenses incurred during the process of daily operation, which include labor costs, low-value consumables, daily maintenance fees and other expenses relating to operation and management. Income surplus should be returned to the Company. Meanwhile, the Company consigned daily operations and management to 北京首旅建国酒店管理 (BTG-Jianguo Hotels & Resorts*).

(III) Pursuant to the Circular on Tax Treatment of Provisions Accrued in Insurance Companies numbered Cai Shui [2015] 115 by MOF and SAT, the difference of provisions made in accordance

* *The English names are for identification purpose only.*

with accounting standards prepared by MOF and provisions prepared by CIRC shall be included in taxable income of insurance companies. If such difference of provisions has not been taxed in previous years, it can be allocated evenly into the next 10 years starting form 2015. If it has been taxed, it is exempted from future taxation. Pursuant to the document numbered Cai Shui [2015] 115, the Company intends to transfer the accumulated amount of 700,467,667.15 yuan adjusted due to accounting standards conversion into the taxable income of 2015. As the Company has large amount of deductible losses in previous years, this matter will not have significant impact on the Company's financial situation.

Union Life Insurance Co., Ltd.
February 19, 2016

UNION LIFE INSURANCE CO., LTD.

AUDITOR'S REPORT FOR THE YEAR

ENDING DECEMBER 31, 2014

Contents

Auditor's Report

PCCPAAR [2015] No2788

To the Shareholders of Union Life Insurance Co., Ltd.:

We have audited the accompanying financial statements of Union Life Insurance Co., Ltd. (the "Company"), which comprise the consolidated and parent company balance sheets as at December 31, 2014, the consolidated and parent company income statements, cash flow statements and statements of changes in equity for the year then ended, as well as notes to financial statements.

I. Management's Responsibility for the Financial Statements

The preparation and fair presentation of these financial statements is the responsibility of the Company's management. This responsibility includes: (1) preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises; and (2) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

II. Certified Public Accountants' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with the China Code of Ethics for Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Audit Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

IV. Emphasis of Matter

We draw attention to Note XIII (I) in the notes to financial statements which indicates that as of December 31, 2014, the Company perform subsequent measurement on investment property based on assessed results, and has recognized cumulative changes in fair value of 5,109,343,000 yuan, of which 137,962,600.00 yuan was included in profit or loss of 2014. Such assess results are based on assumed development method or market method. These conditions indicate the existence of a material uncertainty in future cash flows which may or may not match the fair value recognized as above. Our opinion is not qualified in respect of this matter.

Pan-China Certified Public Accountants LLP

Hangzhou · China

天健会计师事务所（特殊普通合伙）

Certified Public Accountant

三向印晓

Certified Public Accountant

王建甫印

Date of Report: April 10, 2015

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

Union Life Insurance Co., Ltd.

Consolidated Balance Sheet as at December 31, 2014

(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	Opening balance
Assets:			
Cash and bank balances	1	2,318,129,569	2,100,657,399
Financial assets at fair value through profit or loss	2	2,140,623,191	1,497,881,603
Reverse-REPO financial assets	3	36,000,000	567,370,000
Interest receivable	4	1,006,201,965	772,563,601
Insurance premium receivable	5	161,165,538	167,788,301
Reinsurance premium receivable	6	1,548,826,001	29,820,275
Receivable reserves for reinsurance unearned premium		1,667,156	182,420
Receivable reserves for reinsurance outstanding claims		2,350,018	655,721
Receivable reserves for reinsured life insurance liabilities		12,671,697,100	774,540,165
Receivable reserves for reinsured long-term health insurance liabilities		21,826,300	21,204,108
Policy holder pledge loan		498,790,323	391,230,176
Other receivables	7	422,176,637	327,201,786
Time deposits	8	5,956,153,482	6,139,176,418
Available-for-sale financial assets	9	6,864,737,494	2,115,963,407
Held-to-maturity investments	10	18,762,082,984	19,000,665,825
Investments classified as loans and receivables	11	9,268,200,000	2,833,000,000
Long-term equity investments	12	30,264,313	36,197,583
Debt investment plans	13	1,821,352,093	1,985,435,546
Refundable capital guarantee deposits	14	582,554,000	557,554,000
Investment property	15	8,634,259,700	8,092,650,767
Fixed assets	16	629,116,143	666,607,033
Construction in progress	17	18,297,545	12,640,221
Intangible assets	18	161,136,447	164,681,988
Other assets	19	236,283,300	109,405,689
Independent account assets	33	103,879,159	16,307,880
Total assets		73,897,770,458	48,381,381,912

The attached notes to the financial statements are an integral part of the financial statements.

Financial statements attached from Page 3 to Page 12 are signed by the following persons:

Legal representative: Officer in charge of accounting:

Chief actuary: Head of accounting department:

天职会计师事务所(特殊普通合伙) 审核之章

Union Life Insurance Co., Ltd.

Consolidated balance sheet as at December 31, 2014 (continued)

(Expressed in Renminbi Yuan)

Liabilities and equity	Note No.	Closing balance	Opening balance
Liabilities:			
Repo financial assets	20	5,641,409,778	4,398,185,831
Insurance premium received in advance		72,032,303	76,473,270
Handling fee and commission payable		46,124,391	43,666,255
Reinsured accounts payable	21	14,320,247,907	1,094,200,128
Employees benefits payable	22	73,435,908	58,707,027
Taxes and rates payable	23	57,771,663	30,628,151
Indemnity accounts payable		1,239,011,957	971,917,657
Policy dividends payable	24	775,153,869	725,763,330
Policy holder deposits and investment funds	25	13,701,621,568	10,671,860,292
Liabilities from vicarious business		9,540,562	10,817,693
Unearned reserves	26	65,655,202	52,308,249
Reserve for outstanding claim	26	68,529,593	51,898,671
Life insurance reserve	26	28,990,460,501	23,841,951,956
Reserves for long-term health insurance liabilities	26	297,941,304	228,787,282
Subordinated debt payable	27	1,100,000,000	1,100,000,000
Deferred tax liabilities	28	1,247,999,442	1,184,076,635
Other liabilities	29	1,078,074,557	185,806,155
Independent account liabilities	33	19,285,752	16,307,880
Total liabilities		68,804,296,257	44,743,356,460
Equity:			
Share capital	30	2,907,770,000	2,782,770,000
Capital reserve	31	1,110,496,896	235,496,896
Other comprehensive income	32	4,425,929	-37,854,583
Undistributed profit		1,058,839,983	652,610,422
Total equity attributable to shareholders of the Company		5,081,532,808	3,633,022,735
Non-controlling interest		11,941,393	5,002,717
Total equity		5,093,474,201	3,638,025,452
Total liabilities and equity		73,897,770,458	48,381,381,912

The attached notes to the financial statements are an integral part of the financial statements.

Union Life Insurance Co., Ltd.

Parent Company Balance Sheet as at December 31, 2014

(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	Opening balance
Assets:			
Cash and bank balances	1	1,964,629,570	1,766,157,703
Financial assets at fair value through profit or loss		2,091,632,847	1,482,958,525
Reverse-REPO financial assets		36,000,000	567,370,000
Interest receivable		1,005,823,410	772,502,634
Insurance premium receivable		161,165,538	167,788,301
Reinsurance premium receivable		1,548,826,001	29,820,275
Receivable reserves for reinsurance unearned premium		1,667,156	182,420
Receivable reserves for reinsurance outstanding claims		2,350,018	655,721
Receivable reserves for reinsured life insurance liabilities		12,671,697,100	774,540,165
Receivable reserves for reinsured long-term health insurance liabilities		21,826,300	21,204,108
Policy holder pledge loan		498,790,323	391,230,176
Other receivables	2	416,898,494	295,015,068
Time deposits		5,879,376,940	6,088,176,418
Available-for-sale financial assets		6,864,737,494	2,115,963,407
Held-to-maturity investments		18,762,082,984	19,000,665,825
Investments classified as loans and receivables		9,268,200,000	2,833,000,000
Long-term equity investments	3	3,368,464,313	2,821,697,583
Debt investment plan		1,821,352,093	1,985,435,546
Refundable capital guarantee deposits		581,554,000	556,554,000
Investment property		1,876,232,000	1,876,000,000
Fixed assets		615,166,824	655,614,900
Construction in progress		4,889,748	309,400
Intangible assets		122,695,135	127,623,141
Other assets		172,640,463	97,063,519
Independent account assets		103,879,159	16,307,880
Total assets		69,862,577,910	44,443,836,715

The attached notes to the financial statements are an integral part of the financial statements.

Union Life Insurance Co., Ltd.

Parent Company Balance Sheet as at December 31, 2014 (continued)

(Expressed in Renminbi Yuan)

Liabilities and equity	Closing balance	Opening balance
Liabilities:		
Proceeds from sale of Repo financial assets	5,641,409,778	4,398,185,831
Insurance premium received in advance	72,032,303	76,473,270
Handling fee and commission payable	46,124,391	43,666,255
Reinsured accounts payable	14,320,247,907	1,094,200,128
Employees benefits payable	46,306,474	49,396,650
Taxes and rates payable	50,866,597	27,195,709
Indemnity accounts payable	1,239,011,956	971,917,657
Policy dividends payable	775,153,869	725,763,330
Policy holder deposits and investment funds	13,701,621,568	10,671,860,292
Liabilities from vicarious business	9,540,562	10,817,693
Unearned reserves	65,655,202	52,308,249
Reserve for outstanding claim	68,529,593	51,898,671
Life insurance reserve	28,990,460,501	23,841,951,956
Reserves for long-term health insurance liabilities	297,941,304	228,787,282
Subordinated debt payable	1,100,000,000	1,100,000,000
Deferred tax liabilities	217,896,948	188,901,925.94
Other liabilities	1,135,047,074	204,503,261
Independent account liabilities	19,285,752	16,307,880
Total liabilities	67,797,131,779	43,754,136,039
Equity:		
Share capital	2,907,770,000	2,782,770,000
Capital reserve	1,110,496,896	235,496,896
Other comprehensive income	4,425,929	-37,854,583
Undistributed profit	-1,957,246,694	-2,290,711,636
Total equity	2,065,446,131	689,700,677
Total liabilities and equity	69,862,577,910	44,443,836,716

The attached notes to the financial statements are an integral part of the financial statements.

Union Life Insurance Co., Ltd.

Consolidated Income Statement for the year ended December 31, 2014

(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Operating revenue		1,525,206,089	9,925,095,749
Premium earned		-1,579,255,645	6,596,346,322
Revenue from insurance business	1	11,776,081,694	6,925,744,904
Less: reinsurance premium	2	13,343,475,122	327,583,536
Unearned premium reserves (or less: reversals)	3	11,862,217	1,815,046
Investment income (or less: losses)	4	2,706,834,964	1,298,111,968
Gain on changes in fair value (or less: losses)	5	222,046,127	1,911,961,041
Gains on foreign exchange (or less: losses)		107,742	-2,286,875
Revenue from other operations	6	175,472,901	120,963,293
II. Operating expenses		1,056,930,450	8,516,946,626
Surrender value	7	2,270,178,001	2,360,176,956
Compensation payout	8	3,010,814,668	2,093,169,382
Less: amortized compensation expenses		1,571,916,916	58,853,763
Insurance reserve allotment	9	5,234,293,489	1,243,041,716
Less: amortized insurance premium reserve	10	11,899,473,424	259,087,554
Policy dividend payment	11	251,475,177	276,090,860
Taxes and surcharge for operations	12	42,274,568	16,093,887
Handling fees and commissions	13	758,314,211	629,354,123
Operational and administrative expenses	14	2,054,434,741	1,757,483,767
Less: amortized reinsurance expenditure		9,328,640	-1,723,118
Costs of other operations	15	914,725,390	457,116,155
Assets impairment loss	16	1,139,185	637,981
III. Operating profit (or less: losses)		468,275,639	1,408,149,123
Add: non-operating revenue		10,686,382	12,951,536
Less: non-operating expenditures		8,401,095	5,231,839
IV. Profit before tax (or less: losses)		470,560,926	1,415,868,820
Less: income tax expenses	17	64,392,690	480,223,658
V. Net profit (or less: losses)		406,168,236	935,645,162
Including: Net profit of the combined party before the combination			
Net profit attributable to owners of the parent company		406,229,561	935,643,097
Minority interest		-61,325	2,065
VI. Other comprehensive income (or less: losses)	18	42,280,512	-3,475,958
VII. Total comprehensive income (or less: losses)		448,448,748	932,169,204
attributable to owners of the parent company		448,510,073	932,167,139
attributable to non-controlling interest		-61,325	2,065

The attached notes to the financial statements are an integral part of the financial statements.

天职会计师事务所(特殊普通合伙) 审核之章

Union Life Insurance Co., Ltd.

Parent Company Income Statement for the year ended December 31, 2014

(Expressed in Renminbi Yuan)

Item	Notes	Current period cumulative	Preceding period comparative
I. Operating revenue		1,313,463,912	8,334,026,518
Premium earned		-1,579,255,645	6,596,346,322
Revenue from insurance business	1	11,776,081,694	6,925,744,904
Less: reinsurance premium	1	13,343,475,122	327,583,536
Unearned premium reserves (or less: reversals)	1	11,862,217	1,815,046
Investment income(or less: losses)	2	2,701,914,657	1,296,401,968
Gain on changes in fair value (or less: losses)		82,618,555	356,321,713
Gains on foreign exchange (or less: losses)		107,742	-2,286,875
Revenue from other operations		108,078,603	87,243,390
II. Operating expenses		950,226,820	8,449,536,256
Surrender value	1	2,270,178,001	2,360,176,956
Compensation payout	1	3,010,814,668	2,093,169,382
Less: amortized compensation expenses	1	1,571,916,916	58,853,763
Insurance reserve allotment	1	5,234,293,489	1,243,041,716
Less: amortized insurance premium reserve	1	11,899,473,424	259,087,554
Policy dividend payment	1	251,475,177	276,090,860
Taxes and surcharge for operations		37,245,494	12,919,185
Handling fees and commissions	1	758,314,211	629,354,123
Operational and administrative expenses		1,952,827,646	1,693,421,941
Less: amortized reinsurance expenditure	1	9,328,640	-1,723,118
Costs of other operations		914,523,298	457,093,699
Assets impairment loss		1,273,816	486,595
III. Operating profit (or less: losses)		363,237,092	-115,509,738
Add: non-operating revenue		7,222,952	6,032,875
Less: non-operating expenditures		8,000,080	5,112,535
IV. Profit before tax (or less: losses)		362,459,964	-114,589,398
Less: income tax expenses		28,995,022	91,300,667
V. Net profit (or less: losses)		333,464,942	-205,890,066
VI. Other comprehensive income (or less: losses)		42,280,512	-3,475,958
VII. Total comprehensive income (or less: losses)		375,745,454	-209,366,024

The attached notes to the financial statements are an integral part of the financial statements.

天职会计师事务所(特殊普通合伙) 审计之章

Union Life Insurance Co., Ltd.

Consolidated Cash Flow Statement for the year ended December 31, 2014

(Expressed in Renminbi Yuan)

Items	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities		
Cash receipts from receiving insurance premium of original insurance contract	9,501,588,356	4,538,783,815
Net cash receipts from reinsurance business	-55,187,513	-63,194,626
Received net increase of policy holder deposits and investment funds	2,936,335,085	6,640,353,809
Other cash receipts relating to operating activities	273,887,414	478,756,622
Subtotal of cash inflows from operating activities	12,656,623,342	11,594,699,619
Cash paid for indemnity of original insurance contract	2,793,833,255	1,661,526,307
Cash paid for handling fees and commissions	755,856,075	633,765,840
Cash paid for policy dividends	202,084,638	129,041,639
Cash paid to and on behalf of employees	877,682,928	821,327,650
Cash paid for taxes and rates	79,963,661	48,287,294
Other cash paid relating to operating activities	1,928,456,424	1,552,981,165
Subtotal of cash outflows from operating activities	6,637,876,981	4,846,929,895
Net cash flows from operating activities	6,018,746,361	6,747,769,724
II. Cash flows from investing activities		
Cash received from return on investments	45,456,485,862	22,830,069,345
Cash received from investment incomes	2,471,379,921	1,316,684,153
Cash received at disposal of fixed assets and intangible assets	5,768,065	4,597,827
Other cash received relating to investing activities	20,132,175	12,444,115
Subtotal of cash inflows from investing activities	47,953,766,023	24,163,795,441
Cash paid to acquire investments	55,997,566,184	29,803,129,926
Net increase of pledge loans of policy holder	111,721,181	133,169,101
Cash paid to acquire fixed assets, intangible assets and other long-term assets	404,659,550	685,334,333
Other cash paid relating to investing activities		837,432
Subtotal of cash outflows from investing activities	56,513,946,915	30,622,470,792
Net cash flows from investing activities	-8,560,180,892	-6,458,675,352
III. Cash flows from financing activities		
Cash received by absorbing equity investment	1,607,000,000	
Other cash receipts from financing activities	204,827,405,192	142,492,254,486
Subtotal of cash inflows from financing activities	206,434,405,192	142,492,254,486
Cash payments for interest expenses and distribution of dividends or profit	90,753,756	62,314,892
Other cash payments relating to financing activities	203,584,181,245	143,280,618,655
Subtotal of cash outflows from financing activities	203,674,935,001	143,342,933,547
Net cash flows from financing activities	2,759,470,191	-850,679,061
IV. Influence of exchange rate change on cash and cash equivalents	-63,490	-1,313,391
V. Net increase of cash and cash equivalents (or less: losses)	217,972,170	-562,898,079
Add: Opening balance of cash and cash equivalents	2,100,157,399	2,663,555,479
VI. Closing balance of cash and cash equivalents	2,318,129,569	2,100,657,399

The attached notes to the financial statements are an integral part of the financial statements.

Union Life Insurance Co., Ltd.

Parent Company Cash Flow Statement for the year ended December 31, 2014

(Expressed in Renminbi Yuan)

Items	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities		
Cash received from receiving insurance premium of original insurance contract	9,501,588,356	4,538,783,815
Net cash received from reinsurance business	-55,187,513	-63,194,626
Received net increase of policy holder deposits and investment funds	2,936,335,085	6,640,353,809
Other cash received relating to operating activities	142,374,333	444,304,191
Subtotal of cash inflows from operating activities	12,525,110,261	11,560,247,188
Cash paid for indemnity of original insurance contract	2,793,833,255	1,661,526,307
Cash paid for handling fees and commissions	755,856,075	633,765,840
Cash paid for policy dividends	202,084,638	129,041,639
Cash paid to and on behalf of employees	812,731,347	778,183,227
Cash paid for taxes and rates	68,328,692	39,291,659
Other cash paid relating to operating activities	1,828,160,099	1,490,779,560
Subtotal of cash outflows from operating activities	6,460,994,106	4,732,588,233
Net cash flows from operating activities	6,064,116,155	6,827,658,955
II. Cash flows from investing activities		
Cash received from returns on investments	45,413,350,519	22,830,069,345
Cash received from investments incomes	2,468,132,802	1,315,018,073
Cash received at disposal of fixed assets and intangible assets	5,768,065	4,597,827
Other cash received relating to investing activities	20,132,175	12,444,115
Subtotal of cash inflows from investing activities	47,907,383,561	24,162,129,360
Cash paid to acquire investments	56,398,989,644	30,638,129,926
Net increase of pledge loans	111,721,181	133,169,101
Cash paid to acquire fixed assets, intangible assets and other long-term assets	14,894,960	40,164,433
Other cash paid relating to investing activities		837,432
Subtotal of cash outflows from investing activities	56,525,605,785	30,812,300,893
Net cash flows from investing activities	-8,618,222,224	-6,650,171,532
III. Cash flows from financing activities		
Cash received by absorbing equity investment	1,600,000,000	
Other cash received from financing activities	204,827,405,194	142,492,254,486
Subtotal of cash inflows from financing activities	206,427,405,194	142,492,254,486
Cash payments for interest expenses and distribution of dividends or profit	90,753,756	62,314,892
Other cash payments relating to financing activities	203,584,181,244	143,280,618,655
Subtotal of cash outflows from financing activities	203,674,935,000	143,342,933,547
Net cash flows from financing activities	2,752,470,194	-850,679,061
IV. Influence of exchange rate change on cash and cash equivalents	107,742	-1,313,391
V. Net increase of cash and cash equivalents (or less: losses)	198,471,867	-674,505,030
Add: Opening balance of cash and cash equivalents	1,766,157,703	2,440,662,733
VI. Closing balance of cash and cash equivalents	1,964,629,570	1,766,157,703

The attached notes to the financial statements are an integral part of the financial statements.

天职会计师事务所(特殊普通合伙)
业 社 之 章

Union Life Insurance Co., Ltd.

Consolidated Statement of Changes in Equity for the year ended December 31, 2014

(Expressed in Renminbi Yuan)

Items	Total equity attributable to parent company				Non-controlling interest	Total equity
	Share capital	Capital reserve	Other comprehensive income	Undistributed profit		
January 1, 2013	2,782,770,000	235,496,896	-34,378,625	-283,032,675	5,000,652	2,705,856,248
Share capital contributed by shareholders						
Net profits (or less: losses)				935,643,097	2,065	935,645,162
Other comprehensive income (or less: losses)			-3,475,958			-3,475,958
December 31, 2013	2,782,770,000	235,496,896	-37,854,583	652,610,422	5,002,717	3,638,025,452
January 1, 2014	2,782,770,000	235,496,896	-37,854,583	652,610,422	5,002,717	3,638,025,452
Share capital contributed by shareholders	125,000,000	875,000,000			7,000,000	1,007,000,000
Net profits (or less: losses)				406,229,561	-61,325	406,168,236
Other comprehensive income (or less: losses)			42,280,512			42,280,512
December 31, 2014	2,907,770,000	1,110,496,896	4,425,929	1,058,839,983	11,941,393	5,093,474,201

The attached notes to the financial statements are an integral part of the financial statements.

Union Life Insurance Co., Ltd.

Parent Company Statement of Changes in Equity for the year ended December 31, 2014

(Expressed in Renminbi Yuan)

Item	Share capital	Capital reserve	Other comprehensive income	Undistributed profit	Total equity
January 1, 2013	2,782,770,000	235,496,896	-34,378,625	-2,084,821,571	899,066,700
Share capital contributed by shareholders					-
Net profits (or less: losses)				-205,890,066	-205,890,066
Other comprehensive income (or less: losses)			-3,475,958		-3,475,958
December 31, 2013	2,782,770,000	235,496,896	-37,854,583	-2,290,711,637	689,700,676
January 1, 2014	2,782,770,000	235,496,896	-37,854,583	-2,290,711,637	689,700,676
Share capital contributed by shareholders	125,000,000	875,000,000			1,000,000,000
Net profits (or less: losses)				333,464,942	333,464,942
Other comprehensive income (or less: losses)			42,280,512		42,280,512
December 31, 2014	2,907,770,000	1,110,496,896	4,425,929	-1,957,246,695	2,065,446,131

The attached notes to the financial statements are an integral part of the financial statements.

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Union Life Insurance Co., Ltd.

Notes to Financial Statements

For the year ended December 31, 2014

Monetary Unit: RMB Yuan

I. Company profile

Union Life Insurance Co., Ltd. (the "Company") is established by 6 companies including 北京永泰房地产开发有限公司(Beijing Eontime Real Estate Development Co., Ltd.*) under the approval of China Insurance Regulatory Commission ("CIRC") on January 26, 2005, with registered capital of 300 million yuan. On February 23, 2005 and February 24, 2005, the Company acquired a legal person certificate for insurance company of PRC numbered 0000612 issued by CIRC and a corporate business license numbered 1000001003942 issued by State Administration for Industry and Commerce of PRC. Upon the approval of CIRC, the Company increases its registered capital in 2006, 2007, 2009, 2010, 2012 and 2014 by 120,000,000 yuan, 246,580,000 yuan, 913,214,600 yuan, 150,000,000 yuan, 1,052,975,400 yuan and 125,000,000 yuan respectively. Currently the Company has registered capital of 2,907,770,000 yuan with corporate business license numbered 420000000000889.

The Company has 26 branches in provinces and autonomous regions of Hubei, Shandong, Beijing, Heilongjiang, Zhejiang, Hunan, Anhui, Henan, Jiangsu, Shanghai, Hebei, Guangdong, Inner Mongolia, Jiangxi, Ningxia, Qingdao, Tianjin, Shaanxi, Xinjiang, Dalian, Sichuan, Fujian, Shanxi, Guangxi, Liaoning and Jilin.

The Company is mainly engaged in various types of personal insurance including life insurance, health insurance and accident insurance; reinsurance business of those personal insurance; application of insurance funds approved by state laws and regulations as well as other business approved by CIRC.

The financial statements were approved and authorized for issue by the 10[rd] Meeting of the fourth Session of the Board of Directors dated April 10, 2015.

The Company and its subsidiaries are collectively referred to as the "Group" in the financial statements.

II. Preparation basis of the financial statements

(I) Basis of preparation

The financial statements have been prepared on the basis of going concern.

** The English name is for identification purpose only*

天健会计师事务所(特殊普通合伙) 审核之章

(II) Assessment of the ability to continue as a going concern

The Company has no events or conditions that may cast significant doubts upon the Company's ability to continue as a going concern within the 12 months after the balance sheet date.

III. Significant accounting policies and estimates

(I) Statement of compliance

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and present truly and completely the financial position, results of operations and cash flows of the Company.

(II) Accounting period

The accounting year of the Company runs from January 1 to December31 under the Gregorian calendar.

(III) Functional currency

The Company's functional currency is Renminbi (RMB) Yuan.

(IV) Accounting treatments of business combination under and not under common control

1. Accounting treatment of business combination under common control

Assets and liabilities arising from business combination are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party at the combination date. Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve, if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

2. Accounting treatment of business combination not under common control

When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

(V) Preparation method of consolidated financial statements

The parent company brings all its controlled subsidiaries into its consolidation scope. The consolidated financial statements are compiled by the parent company according to "CASBE 33 - Consolidated Financial Statements", based on relevant information and the financial statements of the parent company and its subsidiaries.

(VI) Recognition criteria of cash and cash equivalents

Cash as presented in cash flow statement refers to cash on hand and deposit on demand for payment. Cash equivalents refer to short-term, highly liquid investments that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

(VII) Foreign currency translation

Transactions denominated in foreign currency are translated into RMB yuan at the spot exchange rate at initial recognition. At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date with difference, except for those arising from the principal and interest of exclusive borrowings eligible for capitalization, included in profit or loss; non-cash items carried at historical costs are translated at the spot exchange rate at the transaction date, with its RMB amount unchanged; non-cash items carried at fair value in foreign currency are translated at the spot exchange rate at the date when the fair value was determined, with difference included in profit or loss or other comprehensive income.

(VIII) Financial instruments

1. Classification of financial assets and financial liabilities

Financial assets are classified into the following four categories when initially recognized: financial assets at fair value through profit or loss (including held-for-trading financial assets and financial assets designated at initial recognition as at fair value through profit or loss), held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

Financial liabilities are classified into the following two categories when initially recognized: financial liabilities at fair value through profit or loss (including held-for-trading financial liabilities and financial liabilities designated at initial recognition as at fair value through profit or loss), and other financial liabilities.

2. Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount.

The Company measures its financial assets at fair value subsequent to initial recognition, and does not deduct the transaction expenses that may occur when it disposes of the said financial asset in the future. However, those under the following circumstances are excluded: (1) the held-to-maturity investments, loans and receivables are measured at amortized costs using effective interest method; (2) the equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by the delivery of the said equity instrument are measured at their costs.

The Company measures its financial liabilities at the amortized costs using effective interest method, with the exception of those under the following circumstances: (1) for the financial liabilities at fair value through profit or loss, they are measured at fair value, and none of the transaction expenses may be deducted, which may occur when the financial liabilities are settled in the future; (2) for the derivative financial liabilities, which are connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by the delivery of the equity instrument, they are measured at their costs; (3) for the financial guarantee contracts which are not designated as a financial liability at fair value through profit or loss, and for the commitments to grant loans which are not designated as at fair value through profit or loss and which will enjoy an interest rate lower than that of the market, they are measured subsequent to initial recognition at the higher of the following two items 1) The amount as determined according to “CASBE13 - Contingencies”; 2) the surplus after accumulative amortization as determined according to “CASBE14 - Revenues”.

Financial assets are derecognized when the contractual rights for collecting the cash flow of the said financial assets expire or substantially all risks and rewards related to the said financial assets have been transferred. Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability be derecognized accordingly.

The Group classified investment account liabilities arising from breaking down universal life insurance and policies failed to pass material insurance risk test as other financial liabilities.

3. Fair value determination method of financial assets and liabilities

The Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. The inputs to valuation techniques used to measure fair value are arranged in the following hierarchy and used accordingly:

(1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

(2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

(3) Level 3 inputs are unobservable inputs for the asset or liability.

4. Impairment test and provision for impairment loss of financial assets

(1) An impairment test is carried out at the balance sheet date on the financial assets other than those at fair value through profit or loss, and provisions for impairment loss should be made if there is objective evidence indicating impairment loss.

(2) For held-to-maturity investments, borrowings, and receivables, an impairment test is made on an individual basis on financial assets of individually significant amount; with regard to the financial assets of individually insignificant amount, they may be included in a portfolio of financial assets with similar credit risk features so as to carry out an impairment-related test; where, upon the impairment

test on an individual basis, the financial asset (including those financial assets of individually significant amount and of individually insignificant amount) is not impaired, it is included in a portfolio of financial assets with similar credit risk features so as to conduct further impairment test. Where a financial asset is impaired, the carrying amount of the said financial asset is written down to the present value of the predicted future cash flow.

(3) Available-for-sale financial assets

When an available-for-sale financial asset at fair value is impaired, the cumulative loss arising from decline in fair value that has been recognized directly in other comprehensive income is reclassified to impairment loss. If, after an impairment loss has been recognized on available-for-sale debt instrument investment, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. Subsequent fair value increase in available-for-sale debt instrument investment whose impairment loss has been recognized is directly recognized in other comprehensive income.

When an available-for-sale equity instrument at cost is impaired, impairment loss on such equity instrument investment is recognized at any excess of its carrying amount over the present value of future cash flows, and such impairment loss is not reversed upon recognition.

5. Basis for reclassification of undue held-to-maturity investment into available-for-sale financial assets and indication of changes in holding intention or ability are: the credit conditions of investees are getting worse, which leads to sale of such held-to-maturity investments.

6. Derivative financial instruments

The initial recognition of derivative instruments is measured by fair value at the contract date and subsequent measurement is made by fair value. Gains or losses of derivative instruments are reflected in net profit. Fair value is acquired from quoted price in active market, including recent market transaction and valuation method, and analysis of discounted cash flow and option pricing model should be taken into consideration. The optimal initial recognized amount of derivative instruments is transaction price (i.e. payment paid or received) excluding the following conditions: (1) Fair value can be obtained by the same derivative instruments transaction in current market (without revised or changes), or (2) valuation method of acquiring all variable date in the market is adopted. The fair value of derivative instruments is included into assets if it is positive, otherwise, it would be included into liabilities. Embedded derivative instruments which meet the definition of derivative financial instruments should be measured different from main contract when there is no close relation between embedded derivative instruments and main contract, with changes in fair value recognized through net profit.

(IX) Receivables

For receivables (including accounts receivable and other receivables) of individually significant amount and objective proof indicating impairment loss, provisions for bad debts are made on the difference between the lower of present value of future cash flow and their carrying amount; for receivables (including accounts receivable and other receivables) of individually insignificant amount and of individually significant amount but without impairment loss based on impairment testing,the proportion of provision for bad debts on different portfolio of receivables grouped with age in the reporting period is determined based on their actual loss rate in combination with current situation. The proportion is set as follows: within 1 year (inclusive, the same hereinafter), 0.5% of the balance; 1-2 years, 0.5%; 2-3 years, 20%; over 3 years, 50% of the balance. For receivables with concrete evidence indicating poor recoverability, provisions for bad debts are made based on impairment testing and the difference of the lower present value of future cash flow and the carrying amount.

For other receivables (including advances paid, interest receivable and long-term receivable etc.), provisions for bad debts are made on the difference between the lower of present value of future cash flow and their carrying amount.

(X) Reverse repo financial assets and repo financial assets

1. Reverse repo financial assets

Reverse repo financial assets refer to the assets purchased in based on the resold agreement and resale of the bills, securities and loans at a fixed price which is funded from the financial assets. Reverse repo financial assets are not recognized in the balance sheet; the costs of the asset (including interest) are listed in the balance sheet as reverse repo financial assets and are priced based on the post-amortization cost. The balance between the buying price and the resale price is recognized based on the effective interest method within the agreed period and included in the interest income.

2. Repo financial assets

Repo financial assets refer to financial assets integrated from such financial assets as bills, securities and loans which are sold as agreed in the repurchase agreement and then repurchase at a fixed price. According to the agreement, the sold financial assets to be repurchased in the future are not derecognized in the balance sheet; funds obtained from the sold assets (exclusive of interest) are listed in the balance sheet as repo financial assets and priced based on the post-amortization cost. The balance between the sales price and repurchase price is recognized based on the effective interest rate method and is included in the interest expenses.

(XI) Policy holder pledge loans

Policy holder pledge loans refer to the loan granted by the Company upon the application of the policyholder at a certain percentage not exceeding the cash value of the insurance contract on application with the contract pledged, within the validity term of the insurance contract. Otherwise stipulated herein, the maximum loanable amount is about 80% of the cash value of insurance contract. The term of loan is six months at most starting from the date of money drawing by policy holder. Loan principal and interest are repaid in full amount upon expiration of the loan term.

During the loan term, if any refund or payment occurs due to agreement termination, settlement of claims, expiration or annuity payment, repayment of loan principal and interest is preferentially made before such refund and payment.

(XII) Long-term equity investments

1. Judgment of joint control and significant influence
Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies.

2. Determination of investment cost
(1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. The difference between the initial cost of the long-term equity investment and the carrying amount of the combination consideration paid or the par value of shares issued offsets capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

(2) For business combination not under common control, investment cost is initially recognized at the acquisition-date fair value of considerations paid.

(3) Long-term equity investment obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to "CASBE12 - Debt Restructuring"; and that obtained through non-cash assets exchange is determined according to "CASBE7 - Non-cash Assets Exchange".

3. Subsequent measurement and recognition method of gain or loss
For long-term equity investment with control relationship, it is accounted for with cost method; for long-term equity investment with joint control or significant influence relationship, it is accounted for with equity method.

4. Impairment test and provision for impairment

At the balance sheet date, provisions for impairment loss are made at the difference between the carrying amount and the recoverable amount when there is evidence indicating impairment loss.

(XIII) Refundable capital guarantee deposits

In accordance with Article 97 of Insurance Law of the People's Republic of China: "an insurance company shall draw a guarantee fund at the rate of 20% of its total registered capital, deposit it into a bank designated by the insurance regulatory body under the State Council, and use it for no purpose other than repayment of debts at the time of liquidation of the company", the Group will draw the guarantee fund at the rate of 20% of its total registered capital, deposit it into a bank designated by the insurance regulatory body under the State Council, and use it for no purpose other than repayment of debts at the time of liquidation of the Group.

(XIV) Investment property

1. Investment property includes land use right of rent-out property and of property held for capital appreciation and buildings that have been leased out.

2. The initial measurement of investment property is based on its cost, and subsequent measurement is made using fair value model.

3. At the balance sheet date, the Group performs reassess and review on the fair value of its investment property. The Group engaged Canwin CPVs Ltd. to assess the value of its investment properties as of December 31, 2014. When assessing the value, Canwin refers to identical or similar properties' prevailing market price and also considers present value of cash flows such as estimated future lease income to determine the fair value of investment property.

(XV) Fixed assets

1. Recognition principles of fixed assets

Fixed assets are tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year. Fixed assets are recognized if, and only if, it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the assets can be measured reliably.

2. Depreciation method of different categories of fixed assets

Categories	Depreciation method	Useful life (years)	Estimated residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	30	3	3.23
Special equipment	Straight-line method	5	3	19.40
Transport facilities	Straight-line method	6	3	16.17
General equipment	Straight-line method	5	3	19.40

3. Provisions for impairment are made at the excess of carrying amount over the recoverable amount if there is objective evidence indicating impairment loss at the balance sheet date.

(XVI) Construction in progress

1. Construction in progress is recognized if, and only if, it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.

2. Construction in progress is transferred into fixed assets at its actual cost when it reaches its designed usable conditions. When the construction completion cost reaches final estimating and auditing of the construction in progress was not finished while it reaching the designed usable conditions, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.

3. At the balance sheet date, provisions for impairment loss are made at the difference between the carrying amount and the recoverable amount when there is evidence indicating impairment loss.

(XVII) Intangible assets

1. Intangible asset includes land use right, patent right and non-patented technology etc. The initial measurement of intangible asset is based its cost.

2. For intangible assets with finite useful lives, its amortization amount is amortized within its useful life systematically and reasonably, if it is unable to determine the expected realization pattern reliably, intangible assets are amortized by the straight-line method with details as follows:

Items	Amortization period (years)
Land use right	50
Land contractual operation right	50
Computer software	10

Intangible assets with indefinite useful life are not amortized, but their useful life is reviewed annually.

3. At the balance sheet date, provisions for impairment loss on intangible assets with finite useful life are made at the difference between the carrying amount and the recoverable amount when there is evidence indicating impairment loss. Impairment tests are performed on intangible assets with indefinite useful life and intangible assets not yet reaching the usable conditions, on annual basis, no matter there is evidence indicating impairment loss or not.

4. Expenditures on the research phase of an internal project are recognized as profit or loss when it is incurred. An intangible asset arising from the development phase of an internal project is recognized if the Company can demonstrate all of the following: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) its intention to

complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

(XVIII) Long-term prepayments

Long-term prepayments are recorded with actual cost, and evenly amortized within its beneficiary period or stipulated period. If items of long-term prepayments fail to be beneficial to the following accounting periods, residual values of such items are included in profit or loss.

(XIX) Independent account

The independent account of the Group is used for accounting the assets and liabilities incurred by non-insurance risk part of investment-linked products after separation. It should be independently accounted and declared in the financial statements.

1. Independent account assets

The independent account assets of the Group are used for accounting the values of investment assets related to non-insurance risk part of investment-linked products after separation. All independent account assets should be measured at the fair value. Any circulating securities in the market other than open-end funds should be evaluated at the closing price published by the stock exchange on the evaluation date or evaluated at the closing price on the latest trading date when there is no trade on the evaluation date. Meanwhile, the open-end fund should be evaluated at its net asset value declared on the evaluation date.

2. Independent account liabilities

The independent account liabilities of the Group are used for accounting the liabilities incurred by non-insurance risk part of investment-linked products after separation. All independent account liabilities should be measured at the fair value and relevant trade expenses should be recognized into current period profit or loss of the independent account.

(XX) Employee benefits

1. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

2. Short-term employee benefits

The Company recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset.

3. Post-employment benefits

The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans.

(1) The Company recognizes in the accounting period in which an employee provides service the contribution payable to a defined contribution plan as a liability, with a corresponding charge to profit or loss or the cost of a relevant asset.

(2) Accounting treatment by the Company for defined benefit plan usually involves the following steps:

1) In accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, and determine the periods to which the obligations are attributed. The Company discounts obligations under the defined benefit plan using the discount rate to determine the present value of the defined benefit plan obligations and the current service cost;

2) When a defined benefit plan has assets, the Company recognizes the deficit or surplus by deducting the present value of the defined benefit plan obligation from the fair value of defined benefit plan assets as a net defined benefit plan liability or net defined benefit plan asset. When a defined benefit plan has a surplus, the Company measures the net defined benefit plan asset at the lower of the surplus in the defined benefit plan and the asset ceiling;

3) At the end of reporting period, the Company recognizes the following components of employee benefits cost arising from defined benefit plan: a. service cost; b. net interest on the net defined benefit plan liability (asset); and c. Changes as a result of remeasurement of the net defined benefit liability (asset). Item a and item b are recognized in profit or loss or the cost of a relevant asset. Item c is recognized in other comprehensive income and is not to be reclassified subsequently to profit or loss. However, the Company may transfer those amounts recognized in other comprehensive income within equity.

4. Termination benefits

Termination benefits provided to employees are recognized as an employee benefit liability for termination benefits, with a corresponding charge to profit or loss at the earlier of the following dates: a. when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or b. when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

5. Other long-term employee benefits

When other long-term employee benefits provided by the Company to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits are accounted for in accordance with the requirements relating to defined contribution plan. The Company recognizes and measures the net liability or net asset of other long-term employee benefits in accordance with the requirements relation to defined benefit plan. At the end of the reporting period, the Company recognizes the components of cost of employee benefits arising from other long-term employee benefits as the followings: a. service cost; b. net interest on the net liability or net assets of other long-term employee benefits; and c. changes as a result of remeasurement of the net liability or net assets of other long-term employee benefits. As a practical expedient, the net total of the aforesaid amounts are recognized in profit or loss or included in the cost of a relevant asset.

(XXI) Insurance protection fund

According to the No.2 Management Method of Insurance Funds issued by China Insurance Regulatory Commission in 2008, the Group will pay the insurance protection funds for the insurance business within the scope of relief of the fund at the following proportion since January 1, 2009:1) 0.15% of business income for life insurance with guaranteed revenue and 0.05% of business income for life insurance without guaranteed revenue;2) 0.8% of premium income for short-term health insurance and 0.15% of premium income for long-term health insurance;3) 0.8% of premium income for non-investment accidental injury insurance, 0.08% of business income for investment accidental injury insurance with guaranteed revenue and 0.05% of business for income without guaranteed revenue.

In case that the balance of insurance protection fund reaches 1% of the Group's total assets, the Group ceases the payment of insurance protection fund.

In withdrawal of insurance protection funds, the insurance premium income refers to the total amount paid by the policy holder to the insurance company for purchasing corresponding insurance products as agreed in the insurance contract.

(XXII) Policy holder deposits and investment funds

Policy holder deposits and investment funds refer to the deposits received by the Group from the policy holder with the principal increase as the premium income and the investment funds or net increase of investment funds of investment-oriented insurance from the policy holder.

Policy holder deposits and investment funds mainly consist of the parts of mixed insurance contracts (excluding investment-linked insurance) which can be independently measured to assume other risk after separation and the contract liabilities of the policies having not passed significant insurance risk test. Policy holder deposits and investment funds are recognized based on fair value, and the subsequent measurement is based on amortized cost.

(XXIII) Insurance contract

Insurance contracts of the Group consist of original insurance contracts and re-insurance contracts. In case of any accident within the insurance coverage agreed in the insurance contract, for which the Group may have to bear the responsibility for paying insurance money, the Group should bear the insurance risk; in case of significant insurance risk, the contract is listed as original insurance contract. The contract made between the Group and other policy holder under which significant risk is transferred, belongs to re-insurance contract.

1. Mixed insurance contract
Any contract between the Group and the policy holder, under which the Group should bear both insurance risk and other risks, should be handled as follows: 1) Where the insurance risk can be separated from other risks and be independently measured, the insurance risks and other risks can be separated. Insurance risk is recognized as insurance contract; other risks are not recognized as insurance contract.2) Where the insurance risk cannot be separated from other risks or can be separated but cannot be independently measured: i the contract can be identified as insurance contract provided that the insurance risk is significant; ii the contract may not be identified as insurance contract provided that the insurance risk is insignificant.

The contracts identified as insurance contracts should be handled in accordance with "CASBE 25 - Original Insurance Contract" and "CASBE 26 - Re-insurance Contract" and those not identified as insurance contract should be handled in accordance with "CASBE 22 - Recognition and Measurement of Financial Instruments" and "CASBE 37 - Presentation of Financial Instruments".

2. Significant Insurance Risk Test
The Group will carry out material insurance risk test on the contract made with the policy holder and the re-insurance contract made with reinsurer on the initial recognition date.

The material insurance risk test will be carried out on a single contract basis. For contracts with homogeneous significant risks, material insurance risk test can be carried out on a contract combination basis.

The Group will group the contracts with homogeneous insurance risks into one group. The policies in connection with the same product have homogeneous insurance risks, thus they are grouped into one group.

In material insurance risk test, the Group will check whether material insurance risk is transferred as per the insurance contract by the following steps:
Step I: Judge whether the signed contract transfers the insurance risk
For original insurance contract, the standards to determine the insurance risks include: whether the cash flow under the contract depends on the future uncertain issues; whether the uncertain issues will adversely affect the policy holder; whether the uncertain issues exist prior to contract signing (which means that the issues are not resulted from contract).

For reinsurance contract, insurance risk transfer refers that amount paid by the reinsurer for reinsurance claims and the time will depend on the payment amount and time regulated for settled claim of original contract.

Step II: determine whether the risk transfer in the signed contract features business essential
Where the Group should shoulder the responsibility for paying the insurance money incurred by any insurance accident in accordance with any original insurance contract, the original insurance policy is commercial policy.

Where the re-insurance trade under any re-insurance contract has no identifiable economic impact on the Group, the contract has no economic nature.

Step III: determine whether the risk transfer in the signed contract is significant
For non-annuity policy under original insurance contract, the Group will measure the transfer degree of insurance risk as per the proportion of insurance risks of the original insurance policy. If the proportion is not less than 5% at one or more time points within the validity term of the policy, the original insurance policy should be identified as insurance contract. In addition, for the annuity policy under original insurance contract, the original insurance policy will be identified as insurance contract as long as longevity risk is transferred. As for the non-life policy included in non-annuity policy, the Group will directly identify the original insurance policy as insurance contract regardless of the proportion of its insurance risks since it obviously meets the conditions of transfer of significant insurance risk.

Risk proportion of original policy = (amount paid by the insurance company under the background of insurance accident/ amount paid by the insurance company under the background of non-insurance accident-1) * 100%.

The Group measures the transfer degree of insurance risk as per the proportion of insurance risks of the reinsurance policy. If the proportion is above 5%, the reinsurance policy should be identified as reinsurance contract. Risk proportion of reinsurance policy ={(∑ Present value of net loss of reinsurance underwriter * probability of occurrence) / present value of estimated premium income of reinsurance underwriter} * 100%.

The re-insurance contract meeting the conditions of significant insurance risk transfer will be identified as re-insurance contract without calculation of the insurance risk proportion.

In significant insurance risk test, the Group should classify the homogeneous insurance contracts into one group and test adequate typical samples in the group. If most contracts in the selected samples suffer significant insurance risk transfer, all contracts in this group will be determined as insurance contract. In selecting samples, the Group will take into consideration the distribution conditions and risk features of the contracts, such as age, gender, payment mode, and payment term.

In grouping of non-life insurance contracts, the Group will classify the contracts of insurance with homogeneous insurance risks into one group. For life insurance contracts, the Group will classify the contracts of major insurance with same or similar insurance term, gender, payment term or effective time of contracts into one group. In group test, the Group should select at least 50% of total policies.

The assumptions adopted by the Group in significant insurance risk test mainly include loss ratio, mortality rate and disease incident. The Group will determine reasonable estimates based on actual experience and future development trend to indicate the product characteristics and actual compensation of the Group.

3. Income and cost of insurance contracts

The Group will recognize the premium incomes when economic benefits in connection with the insurance contract may flow into the Group and the incomes from the insurance contract can be reliably measured after the insurance contract is executed and the Group starts to bear corresponding insured liability. Where the premium is charged by installment as agreed in the life insurance contract, the premium income of current period will be recognized as per the premium payable in current period. Where one-time payment of premium is required in the contract, the premium income of current period will be recognized as per one-off premium. For non-life insurance contract, the Group will recognize the premium income of the current period as per the gross premium as agreed in the insurance contract. In addition, the re-insurance premium income will be calculated by the Group in accordance with the re-insurance contract.

In case of premature rescission of contracts, the return premium should be calculated in accordance with the insurance contract and recognized into current period profit or loss.

Insurance contract cost refers to all flows of economic benefits not related to the profits distributed to the owners and which is resulted from insurance contract that may lead to the decrease in owner's equity. Insurance contract cost mainly includes occurred service charge and commission expense, compensation cost, policy dividend expense and accrued reserves of insurance contract.

The Group will calculate the re-insurance premium and the re-insurance premium which should be amortized to the reinsurer in accordance with relevant re-insurance contract in the period during which the premium income of original insurance contract is recognized and recognize them into profits and losses of that period. When drawing the reserves for original insurance contracts, the Group will calculate the reserves which should be amortized to the reinsurer in accordance with relevant re-insurance contract and recognize them as receivable reserves for re-insurance. In addition, the Group will offset the balance of receivable reserves for re-insurance in the period during which the balance of reserves for original insurance is offset upon the determination of compensation amounts or actual claim settlement expenses and meanwhile, calculate the compensation costs which should be amortized to the reinsurer in accordance with relevant re-insurance contract and recognize them into profits and losses of that period. The Group will calculate the adjustment amount of re-insurance premium and refund of reinsurance premium ceded in accordance with relevant re-insurance contract in the period during which the original insurance contract is prematurely rescinded and recognize it into the profits and losses of that period; meanwhile, write off the balance of receivable reserves for re-insurance. Besides, the Group will recognize profit commission into current period profit or loss as refund of reinsurance premium ceded in accordance with relevant re-insurance contract when the profit commission which should be charged from the reinsurer can be determined.

The assets incurred by re-insurance contract and the liabilities incurred by relevant original insurance contract will be separately listed in the balance sheet and will not be offset by each other. Meanwhile, the incomes and expenses incurred by the re-insurance and those incurred by relevant original insurance contract will also be separately listed in the income statement and will not be offset by each other.

(XXIV) Reserves for insurance contract

The Group will measure the reserves for insurance contract in the balance sheet to truly indicate the liabilities under insurance contracts. Reserves for insurance contract of the Group consist of reserves for life insurance contract and non-life insurance contract. The former includes life insurance reserves and reserves for long-term health insurance liabilities, both of which comprise unearned premium reserves and reserves for outstanding claims; the latter includes unearned premium reserves and reserves for outstanding claims.

1. Measurement unit of reserves for insurance contract

When determining reserves for insurance contract, the Group selects the measurement units based on product features. For insurance product with insurance period longer than 1 year, each policy is considered as the measurement unit; for insurance product with insurance period less than 1 year, the type of insurance is considered as the measurement unit. The determination criteria of measurement unit are uniform for each accounting period;

2. Measurement methods of reserves for insurance contract

The Group measures the reserves for insurance contract based on the appropriately estimated amount needed for performing obligations under the insurance contract. The expenses for performing obligations under the insurance contract refer to the difference between expected future cash outflow and expected future inflow, i.e., expected future net cash outflow. Meanwhile, expected future cash inflow refers to the cash inflow obtained by the Group to fulfill relevant obligations under the insurance contract, including premium and other fees. Expected future cash outflow refers to reasonable cash outflow incurred by performance of obligations under the insurance contract by the Group, including: (1) guaranteed benefits under the insurance contract, such as benefits against death, benefits against physical disability, benefits against disease, benefits for living and benefits upon expiration; (2) non-guaranteed benefits for constructive obligation as per the insurance contract, such as policy dividends; (3) reasonable expenses for managing the insurance contract or dealing with compensations, such as policy maintenance expenses and claim settlement expenses.

When the Group determines the reasonably estimate amount flowed from the expected future net cash flow, retrievable information on the balance sheet date should be basis.

In determination of reserves for insurance contract, marginal factor is taken into consideration and separately measured. Meanwhile, margin is recorded into current period profit or loss with systematic and appropriate methods during insurance duration. Day one gains are not recognized on the initial recognition date of insurance contract and day one losses (if any) are recorded into current period profit or loss.

Marginal factors include risk margin and residual margin. Risk margin is the compensation obtained by the Group for bearing the uncertainty in amount and time of future cash flow in insurance contract and the amount is determined based on relevant actuary assumption. Residual margin is the reserves recognized for the uncertain day one gains and the original amount of residual margin equals to zero or the difference of total margin deducting risk margin, whichever is higher. The follow-up measurement of residual margin and the expected reserves and risk margin relevant to appropriate estimation of future cash flow are mutually independent and any change of relevant assumption does not impact the follow-up measurement of residual margin.

The Group also re-measures the risk margin based on the information available on each balance sheet date and recognizes the assessed difference into current period profit or loss.

For residual margin, the Company will take the number of valid policies of life insurance as the driving factor of profit and determine the proportion of each marginal amortization and driving factor of profit (amortization proportion= residual margin/current value of), and the proportion will not be adjusted along with the changes in hypothesis. The unamortized margin = amortization proportion * driving factor for profit calculated based on adjusted assumption is taken during evaluation.

3. Long-term life insurance reserves and reserves for long-term health insurance liabilities

The Group determines the insurance accident occurrence rate assumption, surrender rate assumption, charge assumption, policy dividend assumption and discounting rate and unearned insurance reserves which should be withdrawn based upon the information available on the balance sheet date. The discount rate of unearned premium reserves for the insurance contracts with future insurance interest free from the influence of asset portfolio investment is determined based on the market interest rate consistent with liability cash outflow term and risk. The market interest rate determined by the Group is the premium of moving averages of yield curve prepared by China Government Securities Depository Trust & Clearing Co. Ltd. in addition to 60 base points. Future insurance interest changing with corresponding asset portfolio investment return should be determined with future investment return expected to be generated by corresponding asset portfolio.

4. Reserves for outstanding claims

Reserve for outstanding losses refers to the reserve collected in the happened and unsettled insurance contract claims for the insurance accident on the balance sheet date, which includes happened and unreported reserve for outstanding losses, happened and reported reserve for outstanding losses and reserve for compensation cost.

Reserves for occurred and reported unsettled indemnity: the reserves withdrawn by the Group for the occurred but unsettled claims with insurance compensation request. The Group withdraws the reserves based on reasonable estimates of ultimate compensation amount by case-by-case estimating method. However, the reserves withdrawn should not exceed the insurance amount of insurance accidents covered by policy. Meanwhile, the marginal factors should be taken into account to measure the reported reserve for outstanding losses.

Reserves for occurred but unreported unsettled indemnity: the reserves withdrawn by the Group for the occurred but unsettled claims without insurance compensation request. The Group calculates the reserves for occurred but unreported unsettled indemnity based on reasonable estimate by chain-ladder method, considering marginal factors.

Reserves for claim settlement expense: the reserves allotted by the Group for the possible attorney fee, legal fee, loss inspection fee, compensation of relevant claim settlement personnel cased by the occurred but not settled claims. The Group makes provision by pro rata distribution. Remuneration of relevant claims handling personnel is managed as human cost budgeting; counsel fee, cost of legal action and loss inspection cost are managed as the operating expense and the reserve for compensation cost uncovered in the investigation cost will not be accrued.

5. Liability adequacy test

The Group conducts adequacy test for reserves based upon general business on the balance sheet date. Where relevant reserves amount re-calculated by the Group based on actuarial studies exceeds relevant reserves allotted as of adequacy testing date, the reserves should be withdrawn on a difference basis and recorded into current period profit or loss, if not, no adjustment is needed.

For the adequacy test of life insurance reserves and reserves for long-term health insurance liabilities, the Group, based on actuarial assumption of optimal estimation anticipates the future cash flow of policy with appropriate actuarial model. Considered actuarial assumption mainly includes premium income, insurable interest expense, surrender value expense, commission and service charge expense, operating expense, policy dividend and other non-insurable interest expense. The applied discount rate for discount of future cash flow can reflect the income from investment of the corresponding assets to the reserves and estimated cash flow.

(XXV) Provisions

1. Provisions are recognized when fulfilling the present obligations arising from contingencies such as providing guarantee for other parties, litigation, products quality guarantee, onerous contract, etc., may

cause the outflow of the economic benefit and such obligations can be reliably measured.

2. The initial measurement of provisions is based on the best estimated expenditures required in fulfilling the present obligations, and its carrying amount is reviewed at the balance sheet date.

(XXVI) Revenue recognition

1. Incomes from reinsurance business

The insurance business income of the Group should be accounted upon the premium income from the policies under insurance contracts. But the income from policies under non-insurance contract may not be recorded into insurance business income.

Refer to Note III (XXIII) 3 for detailed accounting policies.

2. Other Incomes

Other incomes refers to interest income of current deposit, rental income and incomes obtained from other business activities such as management income occurred from insurance policy of non-insurance contract, which are recognized based on accrual basis. Interest income is recognized in accordance with the time and effective interest rate when others use monetary funds of the Group.

3. Investment Income

Incomes from investment include various investments, fixed term deposit, interest income and dividend income occurred from guaranteed deposits, and realized profits or losses (exclusive of held- for-trading financial assets to be included in the changes in fair value recognized in profit or loss due to fair value changes, deducting the sold interest expense of financial assets sold for repurchase and relevant investment costs.

4. Gains (losses) on change in fair value

The gains and losses on changes in fair value refers to profit or loss caused by change in fair value recognized in held-for-trading financial liabilities and that should be recognized into profit or loss.

(XXVII) Policy dividend payment

Policy dividend payments refer to the dividends estimated and paid or to be paid by the Group to policy holders in the dividend allocation method of participating insurance products and based upon relevant actuary results in accordance with the original insurance contract.

(XXVIII) Government grants

1. Government grants consist of government grants related to assets and government grants related to income.

2. If a government grant is a monetary asset, it is measured in the light of the received or receivable amount; if a government grant is a non-monetary asset, it is measured at its fair value. If the fair value cannot be obtained in a reliable way, it is measured at its nominal amount.

3. The government grants related to assets are recognized as deferred income, equally distributed within the useful lives of the relevant assets, and included in profit or loss. The government grants related to incomes if used for compensating the related future expenses or losses of the Company are recognized as deferred income and are included in profit or loss during the period when the relevant expenses are recognized; if used for compensating the related expenses or losses incurred to the Company are directly included in profit or loss.

(XXIX) Deferred tax assets/Deferred tax liabilities

1. Deferred tax assets or deferred tax liabilities are calculated and recognized based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. A deferred tax asset is recognized to the extent of the amount of the taxable income, which it is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized.

3. At the balance sheet date, the carrying amount of deferred tax assets is reviewed. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.

4. The income tax and deferred tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (a) business combination; and (b) the transactions or items directly recognized in equity.

(XXX) Leases

When the Group is the lessee, lease payments are recognized as cost or profit or loss with straight-line method over the lease term. Initial expenses are recognized directly into profit or loss. Contingent rents are charged as profit or loss in the periods in which they are incurred.

When the Company is the lessor, lease income is recognized as profit or loss with straight-line method over the lease term. Initial expenses, other than those with material amount and eligible for capitalization which are recognized as profit or loss by installments, are recognized directly as profit or loss. Contingent rents are charged into profit or loss in the periods in which they are incurred.

(XXXI) Significant changes in accounting policies and estimates

The Company has adopted new standards including "CASBE 39 – Fair Value Measurement", "CASBE

40 – Joint Arrangement", and "CASBE 41 – Disclosure of Interests in Other Entities" and revised standards including "CASBE 2 – Long-Term Equity Investments", "CASBE 9 - Employee Benefits", "CASBE 30 – Presentation Of Financial Statements", and "CASBE 33 – Consolidated Financial Statements" promulgated or revised in 2014 by Ministry of Finance of PRC since July 1, 2014, and applied "CASBE 37 – Financial Instruments: Disclosures" revised by Ministry of Finance of PRC in 2014 in these financial statements.

Significant items of comparative financial statement of 2014 affected by such changes in accounting policies are as follows:

Financial items significantly affected	Amounts affected	Remarks
Items of balance sheet as of December 31, 2013		
Capital reserve	37,854,583	Gain/loss on changes in fair value of available-for-sale financial assets
Other comprehensive income	-37,854,583	
Available-for-sale financial assets	600,000,000	Adjustments in classification of long-term equity investments
Long-term equity investments	-600,000,000	

IV. Critical hypothesis and uncertain factors used for important judgment and accounting estimation made during the application of accounting policy

During the application of accounting policies as described in the Note III, the Group should judge, estimate and come up with hypothesis on the carrying amount of statement terms that cannot be measured accurately owing to the internal uncertainty of operation activity. These judgment, estimation and hypothesis are made based on previous experience of the Group's management together with consideration of other relevant factors. Actual results might differ from the Group's estimation.

The Group should conduct regular review on the previous judgment, estimation and hypothesis based on continuous operation. For change in accounting estimation that only influences current change period, its influence should be confirmed in the current period; for changes that influences both current and future period, its influence should be confirmed in the current and future period.

Important judgment made in the application of accounting policies

The Group made the following important judgments in the application of accounting policies, which greatly influence the amount confirmed in the financial statement:

(I) Classification of financial assets

As described in the classification of financial instruments under notes to significant accounting policies and estimates, management should make critical judgment over the financial assets classification according to the purpose of held financial assets in the initial confirmation date of financial asset or subsequent period. Different classification would influence accounting method and the Group's financial status and operation result. Wrong judgment over financial asset classification by the Group would lead to re-classification of all financial assets.

(II) Separation and classification of mixed contract

As described in insurance contract under notes to significant accounting policies and estimates, the Group should judge whether the contract issued by the Group assuming both insurance risk and other risks can be distinguished, whose result would influence the separation of contract.

Meanwhile, the Group should judge whether the issued insurance policy would transfer insurance risk, whether the transfer of insurance risk is of business essential and whether critical judgment is made over transfer risk, whose result would influence the classification of contract.

Contract separation and classification would influence accounting method and the Group's financial status and operation result.

(III) Measurement unit of the reserve fund of insurance contract

During the measurement of reserve of insurance contract, the Group should judge whether insurance contract group as a measurement unit has homogeneous insurance risks, whose result would influence the measurement result of contract reserve.

(IV) Measurement of reserves for insurance contract

The Group should estimate the amount needed to pay for performing relevant obligations under insurance contract when measuring insurance contract reserves (including unearned premium reserves for non-life insurance business, life insurance reserves, long-term health insurance reserves, and reserves for outstanding claims) on balance sheet date.

Main hypotheses adopted by the Group for measuring unearned insurance reserves includes discount rate, insurance accident occurrence rate (mainly includes mortality rate, disease incidence rate), surrender rate, expenses hypothesis and policy dividend hypothesis.

The hypothesis applied for the estimation by the Group will be regularly analyzed and reviewed. Changes in the assumption may affect the financial status and business performance of the Group.

1. Discount rate hypothesis

The Group should consider previous investment experience, current and future investment portfolio and yield trend in determining discount rate hypothesis. Discount rate hypothesis reflects expectation of future economy condition and company investment strategy. Discount rate hypothesis without considering risk margin for the past 2 years is showed in the following table:

	Discount rate assumption (%)
December 31, 2014	5
December 31, 2013	5

For insurance contract whose future insurance interest is not influenced by the corresponding asset portfolio investment interest, the Group determines the discount rate hypothesis based on the Treasury Yield Curve of 750 working days published on the China Bond Information Website together considering liquidity premium, tax and other factors when considering the influence of currency time value. Discount rate hypothesis without considering risk margin for the past 2 years is presented as below:

	Discount rate assumption (%)
December 31, 2014	3.77-6.48
December 31, 2013	3.67-6.51

2. Mortality rate and disease incidence rate hypothesis

Mortality rate and disease incidence rate hypothesis is determined according to the mortality rate and disease incidence rate of policies issued by the Group. Mortality rate and disease incidence rate differs from policy holder of different ages and insurance contracts of different types.

The Group determines the mortality rate hypothesis to the Life Table of China's Life Insurance Industry Experience (2000-2003), and adequate adjustment is made to reflect the Group's long-term previous mortality rate experience. Uncertainty of mortality rate for life insurance contract is mainly caused by the epidemic, and significant change in life style. All these factors would lead to worsening of future mortality rate experience and thus insufficient liability. Similarly, life extension droved by continuous improvement of health care and social conditions would also bring longevity risk to the Group's annuities insurance.

The Group adopts the disease incidence rate hypothesis provided by the reinsurance company. Uncertainty mainly includes future disease incidence rate experience worsening caused by life style change, advanced diagnosis time of serious diseased driven by development of medical technology and improvement of coverage rate of medical instrument enjoyed by policy holder, which in turn leads to advance payment of serious diseases. If current disease incidence rate hypothesis fails to appropriately reflect these long-term trends, insufficient liability is an ultimate result.

The Group has considered risk margin when adopting mortality rate and disease incidence rate hypothesis.

3. Expenses hypothesis

Expense hypothesis is based on the predicted policy unit cost together with consideration of risk margin. Unit cost is based on the analysis of actual experience and future expectation. Unit cost factor is showed in the format of each policy, coverage percentage and premium percentage. Expense hypothesis is influenced by future inflation and market competition, which means uncertainty. The Group determines expenses hypothesis based on the current information that can be obtained on the balance sheet date together with consideration of risk margin factor.

	RMB/policy	Premium percentage (%)
December 31, 2014	20-60	1-46
December 31, 2013	20-60	1-46

4. Policy dividend hypothesis

Policy dividend hypothesis is determined by combining participating insurance regulations, expected investment yield of dividend insurance account, dividend distribution policy of the Group, reasonable expectation of the policy holder. According to participating insurance regulations, the Group is responsible to pay 70% or higher percent as per the policy agreement of distributable earning to the participating insurance contract holder.

5. Surrender rate and other hypotheses

Surrender rate and other hypotheses are influenced by future macro economy, alternative financial instrument, market competition and other factors, which means uncertainty. Surrender rate hypothesis is made by the Group based on the current information that can be obtained on the balance sheet date together with consideration of risk margin factor that is determined by previous reliable experience, current situation and future expectation.

Residual margin related to the unearned insurance reserve should be amortized in the expected insurance term using policy effective date hypothesis.

The hypothesis applied for the estimation by the Group will be regularly analyzed and reviewed. Changes in the assumption may affect the financial status and business performance of the Group.

(V) Income tax

The Group should determine the deferred income tax rate according to the applicable tax rate for expected assets recovery or liability paying-off period, and the period and applicable tax rate should be in turn determined by estimation and judgment. Any difference between re-estimation and existing estimation will affect the deferred income tax amount during estimation change period and current income tax.

(VI) Fair value of financial instruments

The Group determined the fair value of financial instrument that fails to find active trade market through various estimation methods. These estimation methods include the price used in the recent market transactions of parties familiar with the situations and voluntary to transact, the current fair value that refers to other financial instruments of similar nature, discounted cash flow technique, option pricing model and the like. When adopting the above methods for estimation, the Group should conduct estimation on its own and competitors' credit risk, market volatility and other relevant factor, whose hypothesis change would influence the fair value of financial instruments.

The Group conducts regular evaluation and test on the effectiveness of estimation methods, and updates estimation method as necessary to reflect market condition at balance sheet date.

V. Taxes and rates

(I) Main taxes and rates

Taxes	Taxation basis	Tax rates
Business tax	The taxable business turnover	5%
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12% of rent revenue.	1.2%, 12%
Urban maintenance and construction tax	Turnover tax payable	7%, 5%, 1%
Enterprise income tax	Taxable income	25%

(II)Tax preferential policies and related documents of approvals

According to documents numbered Cai Shui [2005] 76, Cai Shui [2005] 190, Cai Shui [2006] 115, Cai Shui [2007] 43, Cai Shui [2007] 158, Cai Shui [2007] 117, Cai Shui [2008] 88, Cai Shui [2008] 166, Cai Shui [2009] 135, Cai Shui [2010] 71, Cai Shui [2011] 5, Cai Shui [2013] 12, Cai Shui [2014] 6, and Cai Shui [2014] 148 issued by Ministry of Finance and State Administration of Taxation of PRC, over 185 insurance products including 1001 Union Yongxiang Permanent Life Insurance (participating) of the Company is beyond business tax coverage.

VI. Business combination, consolidated financial statements, and interest in other entities

(I) Significant subsidiaries

Subsidiaries acquired through establishment or investment

Subsidies	Type	Registered place	Business nature	Registered capital	Business scope	Organization code
合众健康产业（武汉）投资有限公司 (Union Health Industry (Wuhan) Investment Co., Ltd.*)	Wholly-owned subsidiary	Wuhan	Service	1.10 billion	Real estate and relevant complementary investment; its own real estate operation; property management; hotel management (projects specifically regulated by the state can be included in the business scope only after being approved).	56232300-4
合众健康产业（南宁）投资有限公司 (Union Health Industry (Nanning) Investment Co., Ltd.*)	Wholly-owned subsidiary	Nanning	Estate investment	510 million	Investment to land, building, urban infrastructures, municipal engineering, service industry and commerce (items included in the license should be operated with the license within the valid period).	59843900-9
合众健康产业项目（沈阳）投资有限公司 (Union Health Industry (Shenyang) Investment Co., Ltd.*)	Wholly-owned subsidiary	Shenyang	Estate investment	970 million	Real estate and relevant complementary investment (items forbidden by laws and regulations or failing to be approved are excluded)	58389712-X

合肥合众人寿健康产业项目投资有限公司(Hefei Union Life Health Industry Investment Co., Ltd.*)	Wholly-owned subsidiary	Hefei	Estate investment	100 million	Real estate and relevant complementary investment (Items forbidden by laws and regulations or failing to be approved are excluded)	06082668-0
合众健康产业（济南）投资有限公司 (Union Health Industry (Jinan) Investment Co., Ltd.*)	Wholly-owned subsidiary	Jinan	Estate investment	100 million	real estate and relevant complementary investment (Projects can be included in the business scope only after being approved)	08401389-5
合众资产管理股份有限公司 (Union Assets Management Co., Ltd.*)	Holding subsidiary	Beijing	Investment	100 million	Managing RMB and foreign currency funds entrusted by clients, managing and utilizing its own RMB and foreign currency funds, operating insurance asset management product business and other businesses approved by the China Insurance Regulatory Commission or other departments of the State Council.	59600482-9
盛世合众保险销售有限公司 (Shengshi Union Insurance Sales Co., Ltd.*)	Wholly-owned subsidiary	Beijing	Insurance	50 million	Agency business including selling insurance products across China (excluding Hong Kong, Macau, Taiwan), receiving insurance premium, investigating and claiming of related insurance business, and other business approved by CIRC.	07663985-5
合众科技服务有限公司 (Union Science and Technology Service Co., Ltd.*)	Wholly-owned subsidiary	Wuhan	Software service	50 million	Research of computer hardware/software, system integration, customer service and consultation service for quality, procedure and standard of insurance business.	56234398-8
合众优年（北京）投资有限公司 (Union Younian (Beijing) Investment Co., Ltd.*)	Wholly-owned subsidiary	Beijing	Investment	50 million	Licensed operating business: Non General operating business: Project investment	08286877-7
合众财产保险股份有限公司 (Union Property Insurance Co., Ltd.*)	Holding subsidiary	Beijing	Insurance	200 million	Vehicle insurance, including vehicle accident compulsory insurance and vehicle commercial insurance; reinsurance of these insurance; insurance fund operation allowed by laws and regulations; other business approved by CIRC. (for business required with special approval, the company conducts such business as approved.)	33033079-0

(Continued)

Subsidies	Actual contribution at the end of period	Holding proportion (%)	Voting right proportion (%)	Included into consolidate statement or not	Non-controlling interest
Union Health Industry (Wuhan) Investment Co., Ltd.	1.229 billion	100.00	100.00	Yes	
Union Health Industry (Nanning) Investment Co., Ltd.	351.20 million	100.00	100.00	Yes	
Union Health Industry (Shenyang) Investment Co., Ltd.	1.02 billion	100.00	100.00	Yes	
Hefei Union Life Health Industry Investment Co., Ltd.	100 million	100.00	100.00	Yes	
Union Health Industry (Jinan) Investment Co., Ltd.	100 million	100.00	100.00	Yes	
Union Assets Management Co., Ltd.	190 million	95.00	95.00	Yes	10,011,607
Shengshi Union Insurance Sales Co., Ltd.	50 million	100.00	100.00	Yes	
Union Science and Technology Service Co., Ltd.	50 million	100.00	100.00	Yes	
Union Younian (Beijing) Investment Co., Ltd.	50 million	100.00	100.00	Yes	
Union Property Insurance Co.,	198 million	99.00	99.00	Yes	1,929,786

Ltd.					

** The English names are for identification purpose only.*

(II) Changes in consolidation scope

1. Subsidiaries newly brought into the consolidation scope during the reporting period

In the current period, the Company and Zhongfa Industry (Group) Co., Ltd. jointly established Union Property Insurance Co., Ltd. The newly established subsidiary's registered capital is 200 million yuan, and as of December 31, 2014, the Company has contributed 198 million yuan, accounting for 99% of the total registered capital, which indicates that the Company has substantial control over this subsidiary and it is brought into consolidation scope in the current period.

2. Subsidiaries exclude from the consolidation scope during the reporting period

In the current period, the Company's wholly-owned subsidiary 郑州合众优年投资有限公司 (Zhengzhou Union Younian Investments Co., Ltd.*) has canceled its registration at administration for industry and commerce on November 8, 2014, and it is excluded from the consolidation scope since the date of cancellation.

(III) Entities newly brought into and excluded from the consolidation scope

1. Subsidiaries newly brought into the consolidation scope during the reporting period

Entities	Closing balance of net assets	Net profit of the current period
Union Property Insurance Co., Ltd.	192,978,550	-7,021,450

2. Subsidiaries excluded from the consolidation scope during the reporting period

Entities	Disposal-date net assets	Net profit accumulating from beginning of current period to disposal date
Zhengzhou Union Younian Investments Co., Ltd.	132,176	-367,824

(IV) Main financial data of significant not wholly-owned subsidiaries and associates

Investees	Closing balance of total assets	Closing balance of total liabilities	Closing balance of total net assets	Total operating revenue of the current period	Net profit of the current period
武汉小额信贷服务平台股份有限公司 (Wuhan Microfinance Service Platform Corp.*)	70,345,720	9,067,114	61,278,606	17,273,914	-11,565,417
合众优年（武汉）养老企业管理有限责任公司 (Union Younian (Wuhan) Pension Enterprise Management Co., Ltd.*)	1,900,891	15,280,400	-13,379,508	3,088,502	-14,012,368
Union Property Insurance Co., Ltd.	204,436,200	11,457,650	192,978,550		-7,021,450
Union Assets Management Co., Ltd.	235,729,447	35,497,305	200,232,142	91,803,990	177,796
北京泰鸿颐达商贸有限公司 (Beijing Taihong Yida Trade Co., Ltd.*)	4,764,683,252	1,863,359,734	2,901,323,518	293,499,982	48,884,620

** The English names are for identification purpose only.*

VII. Notes to items of consolidated financial statements

(I) Notes to items of the consolidated balance sheet

1. Cash and bank balances

(1) Details

Items	Closing balance	Opening balance
Cash on hand		19,176
Cash in bank	2,199,147,127	2,075,451,753
Other cash and bank balances	118,982,442	25,186,470
Total	2,318,129,569	2,100,657,399

(2) Cash and bank balances - cash and bank balances in foreign currencies

Items	Closing balance		Opening balance	
	Amount in original currency	RMB equivalent	Amount in original currency	RMB equivalent
RMB		2,141,245,398		2,075,340,886
HKD	42,955,990	33,886,692	139,109	109,371
USD	3,924,667	24,015,037	245	1,496
Total		2,199,147,127		2,075,451,753

(3) Up to the period end, no restriction exists on the use of cash and bank balances.

2. Financial assets at fair value through profit or loss

Items	Closing balance	Opening balance
Bond investments:		
Enterprise bond	291,013,820	595,714,038
Equity instrument investments:		
Funds	1,441,913,700	793,058,465
Stocks	407,695,671	109,096,620
Total	2,140,623,191	1,497,869,123

3. Reverse repo financial assets

Items	Closing balance	Opening balance
Reverse repo bond	36,000,000	567,370,000
Total	36,000,000	567,370,000

4. Interest receivable

Items	Closing balance	Opening balance
Bank deposit interest receivable	418,396,790	325,951,528
Bond interest receivable	565,275,660	432,402,352
Others	22,529,515	14,209,721
Total	1,006,201,965	772,563,601

5. Insurance premium receivable

(1) Age analysis

Items	Closing balance			Opening balance		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Within 3 months (inclusive)	161,165,538		161,165,538	167,788,301		167,788,301
Total	161,165,538		161,165,538	167,788,301		167,788,301

(2) Analysis of insurance type

Items	Closing balance				Opening balance			
	Amount	Proportion (%)	Provision for bad debts	Carrying amount	Amount	Proportion (%)	Provision for bad debts	Carrying amount
Long-term life insurance	125,115,042	78		125,115,042	120,590,248	72		120,590,248
Long-term health insurance	6,759,076	4		6,759,076	8,320,945	5		8,320,945
Non-life insurance	29,291,420	18		29,291,420	38,877,108	23		38,877,108
Total	161,165,538	100		161,165,538	167,788,301	100		167,788,301

6. Reinsurance premium receivable

Items	Closing balance			Opening balance		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Within 9 months (inclusive)	1,542,065,011		1,542,065,011	29,381,462		29,381,462
Over 9 months	6,760,990		6,760,990	438,813		438,813
Total	1,548,826,001		1,548,826,001	29,820,275		29,820,275

7. Other receivables

(1) Details

Items	Closing balance				Opening balance			
	Amount	Proportion (%)	Provision for bad debts	Carrying amount	Amount	Proportion (%)	Provision for bad debts	Carrying amount
Deposit and advances on behalf	22,066,721	5	2,171,915	19,894,806	39,462,237	12	2,474,591	36,987,646
Deposit of bid for land	250,000,000	58	1,250,000	248,750,000	110,000,000	33	550,000	109,450,000
Employees' borrowing	3,082,814	1	23,778	3,059,036	1,263,591		14,682	1,248,909
External current account	17,871,262	4	1,222,460	16,648,802	5,510,002	2	592,271	4,917,732
Prepaid taxes	88,130,473	21		88,130,473	140,013,769	42		140,013,769
Deposit-in-transit of Yinbaotong	43,381,848	10	242,775	43,139,073	32,427,480	10	185,547	32,241,933
Others	2,641,796	1	87,349	2,554,447	2,383,799	1	42,002	2,341,797
Total	427,174,914	100	4,998,277	422,176,637	331,060,878	100	3,859,092	327,201,786

(2) Age analysis

Items	Closing balance				Opening balance			
	Amount	Proportion (%)	Provision for bad debts	Carrying amount	Amount	Proportion (%)	Provision for bad debts	Carrying amount
Within 1 year (inclusive)	316,193,712	74	1,351,711	314,842,001	312,983,734	95	884,053	312,099,681
1 to 2 years (inclusive)	98,467,404	23	286,768	98,180,636	7,324,713	2	36,624	7,288,089
2 to 3 years (inclusive)	7,715,254	2	1,543,051	6,172,203	4,213,604	1	345,000	3,868,604
Over 3 years	4,798,544	1	1,816,747	2,981,797	6,538,827	2	2,593,415	3,945,412
Total	427,174,914	100	4,998,277	422,176,637	331,060,878	100	3,859,092	327,201,786

(3) Details of other receivables with provision made on individual basis

Items	Closing balance	Ages	Provision for bad debts
Prepaid taxes	45,851,590	Within 1 year	
	41,113,834	1-2 years	
	1,165,049	Over 3 years	
Total	88,130,473		

As there is obvious difference between prepaid taxes and other receivables in recoverability, no provisions are made on prepaid taxes in the reporting period.

(4) Balance due from related parties

Related parties	Closing balance	Nature
Union Younian (Wuhan) Pension Enterprise Management Co., Ltd.	12,307,425	Call loans
和益财务电子商务（北京）有限公司 (Heyi Financial E-Commerce (Beijing) Co., Ltd.*)	1,067,130	House rent
Subtotal	13,374,555	

** The English names are for identification purpose only.*

8. Time deposits

By maturity term:

Items	Closing balance	Opening balance
Within 3 months (inclusive)	30,600,000	55,976,418
3 months to 1 year (inclusive)	61,053,482	220,200,000
1 year to 2 years (inclusive)	1,500,000	11,000,000
2 to 3 years (inclusive)	11,000,000	4,710,000,000
3 to 4 years (inclusive)	4,710,000,000	
4 to 5 years (inclusive)		1,142,000,000
Over 5 years	1,142,000,000	
Total	5,956,153,482	6,139,176,418

9. Available-for-sale financial assets

(1) Details

Items	Closing balance	Opening balance
Available-for-sale bond:		
Enterprise bond	5,282,405,498	1,311,988,289
Available-for-sale equity instruments:		
Funds	139,788,579	5,636,518
Stock	842,543,417	198,338,600
Other equity instruments	600,000,000	600,000,000
Total	6,864,737,494	2,115,963,407

(2) Related remarks

Other equity instruments are investments in Beijing Taihong Yida Trade Co., Ltd. Please refer to Note IX (V) for details.

10. Held-to-maturity investments

(1) Details

Items	Closing balance		Opening balance	
	Book value	Fair value	Book value	Fair value
government bonds	21,536,062	21,603,480	21,629,715	19,609,120
Financial bonds	6,221,899,090	6,323,340,250	6,374,054,221	5,713,096,300
Enterprise bonds	7,302,815,999	7,293,606,720	7,317,724,378	6,899,420,089
Subordinated bonds	5,215,831,833	5,307,180,690	5,287,257,511	4,942,262,630
Total	18,762,082,984	18,945,731,140	19,000,665,825	17,574,388,139

(2) Up to the period end, held-to-maturity investments held by the Group are not impaired.

11. Investments classified as loans and receivables

(1) Details

Items	Closing balance	Opening balance
Trust investment plan	8,435,200,000	2,500,000,000
Equity investment plan	833,000,000	333,000,000
Total	9,268,200,000	2,833,000,000
Less: provision for impairment		
Net value	9,268,200,000	2,833,000,000

(2) Details of trust investment plan

Item	Closing balance	Opening balance
Beijing Trust - Chuangxin No.8	2,997,000,000	
Beijing Trust - Chuangxin No.7	1,700,000,000	
CITIC Trust - TEDA Loan	600,000,000	600,000,000
CR Trust and Kunming Wanda project	600,000,000	600,000,000
Beijing Trust - capital appreciation No. 2014002	500,000,000	
Zhonghai Trust - Pingan Leasing Rental Income Right Receivable Transfer	400,000,000	400,000,000
Shanghai Trust - Finergy I	399,200,000	400,000,000
Beijing Trust - Xinghuo Fortune No. 2014001	299,000,000	
Beijing Trust - Xinfeng Financial Products No. 2014003	290,000,000	
CITIC Trust - Juxinhuijin Estate Funds No. 4	200,000,000	200,000,000
Beijing Trust - Xinfeng No. 3	200,000,000	200,000,000
Zhonghai Trust - Ping'an Leasing Rental Income Right Receivable Transfer	100,000,000	100,000,000
Zhongrong - Rongde No.1	30,000,000	
Zhongrong - Rongde No.2	30,000,000	
Zhongrong - Rongde No.3	30,000,000	
Zhongrong - Rongde No.4	30,000,000	
Zhongrong - Rongde No.5	30,000,000	
Subtotal	8,435,200,000	2,500,000,000

(3) Details of equity investment plan

Items	Closing balance	Opening balance
CNPC west pipeline	333,000,000	333,000,000

Nanning Jintong	500,000,000	
Subtotal	833,000,000	333,000,000

12. Long-term equity investments

(1) Details

Items	Closing balance	Opening balance
Under equity method:		
Other investments:		
Wuhan Microfinance Service Platform Corp.	30,264,313	35,996,836
Union Younian (Wuhan) Pension Enterprise Management Co., Ltd.		200,747
Total	30,264,313	636,197,583

(2) Please refer to Note VI (I) for details on the Group's investments in subsidiaries.

13. Debt investment plans

(1) Details

Items	Closing balance	Opening balance
CPIC – debt plan for Tianxingzhou public railway two-way bridge	350,000,000	350,000,000
Huatai – debt plan for Baoli energy project	200,000,000	200,000,000
CPIC – 5-year debt plan for Chongming Yuejiang project	150,000,000	150,000,000
China Life – debt plan for Pudong Construction	120,014,541	120,014,541
Huatai – debt plan for power project	120,000,000	120,000,000
CPIC – debt plan for Jiangsu Guoxin Yangzhou Power Plant	120,000,000	120,000,000
PICC – Binhai New district 10-year debt plan	100,000,000	100,000,000
Huatai – debt plan for State Grid Jiangsu Power project	100,000,000	100,000,000
Ping'an – debt plan for Jiangyin Bridge	100,000,000	100,000,000
Ping'an – debt plan for Jiangxi Railway	100,000,000	100,000,000
CPIC – debt plan for Taizhou Yangtze Bridge	80,000,000	80,000,000
CPIC Asset – debt plan for Beijing Infrastructure Investment subway construction	50,004,219	50,004,219

China Life Shentong Metro debt plan	50,000,000	50,000,000
CPIC – 10-year debt plan for Congming Yuejiang project	50,000,000	50,000,000
CPIC Assets –debt plan for south-to-north water transfer project	50,000,000	50,000,000
Debt plan for Urumqi urban construction	50,000,000	50,000,000
Huatai Guokai Hutong support investment product	31,333,333	45,416,786
PICC – Binhai New District 5-year debt plan		100,000,000
PICC – Tianjin Binhai 5-year debt plan		50,000,000
Total	1,821,352,093	1,985,435,546

(2) Remarks on debt investment plans

Debt investment plans held by the Group are infrastructure debt plan issued by Union Assets Management Co., Ltd. The term is from 5 to 10 years, and expected return ratio is from 4.99% to 6.64%.

14. Refundable capital guarantee deposits

(1) Details

Deposit bank	Storage form	Deposit term	Closing balance	Opening balance
China Zheshang Bank Co., Ltd., Beijing Branch, Business Department	Time deposit	5 years	210,595,080	210,595,080
Industrial and Commercial Bank of China Limited (ICBC), Wuhan Jianghan Sub-branch	Time deposit	5 years	195,958,920	195,958,920
Agriculture Bank of China, Wuhan Beihu Office	Time deposit	5 years	90,000,000	90,000,000
Agriculture Bank of China, Beijing South Kunming Lake Road Sub-branch	Time deposit	5 years	30,000,000	30,000,000
Agriculture Bank of China, Wuhan Qiaokou Sub-branch, Qingnian Road Office	Time deposit	5 years	30,000,000	30,000,000
Bank of Communications, Beijing Fengtai Sub-branch	Time deposit	5 years	1,000,000	1,000,000
Bank of Communications, Wuhan Huaqiao Sub-branch	Time deposit	5 years	25,000,000	
Total			582,554,000	557,554,000

(2) Remarks

Pursuant to Insurance Law of the People's Republic of China, the Company shall draw a guarantee fund at the rate of 20% of its total registered capital (2,907,770,000 yuan) into a bank as time deposit, and use it for no purpose other than repayment of debts at the time of liquidation.

Pursuant to Rules on Administration of Insurance Agency Institutions, insurance agency institution shall insure professional liability insurance or shall pay guarantee deposit within 20 days from the date of registration at administration for industry and commerce. The amount of the guarantee deposit should be 5% of the registered capital; when insurance agency institution increases its registered capital, corresponding amount of guarantee deposit should be added; where the amount of guarantee reaches 1 million yuan, it needs not increase guarantee deposit. In the current period, the wholly-owned subsidy Shengshi Union Insurance Sales Co., Ltd. paid guarantee deposit in amount of 1 million yuan as required.

15. Investment property

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Cost:				
Land and buildings	3,121,270,407	403,646,283		3,524,916,690
Changes in fair value:				
Land and buildings	4,971,380,360	137,962,650		5,109,343,010
Carrying amount:				
Land and buildings	8,092,650,767	541,608,933		8,634,259,700

(2) When determining the fair value of investment property, the Group engaged Canwin CPVs Ltd. to assess the value of investment property held by the Group at the benchmark date of December 31, 2014.

(3) Up to the period end, investment property with area of 714,820 square meters not yet registered its ownership.

(4) Up to the period end, no investment property has been mortgaged to provide guarantee.

(5) Assets on books

In 2011, the Company bought commercial and residential building project E1 sited in Changqing Village, Sijiqing Rd., Haidian District, Beijing from Beijing 永泰房地产(集团)有限公(Eontime Real Estate (Group) Co., Ltd.*) which is controlled by the Company's shareholder Zhongfa Industry (Group) Co., Ltd., for the purpose of lease, with contract amount of RMB 820 million yuan.

The subsidiary Union Health Industry (Wuhan) Investment Co., Ltd. signed Assignment Contract of Use Right of State-owned Contraction Land with Bureau of Planning, Land and Resources of Shenzhen, Caidian District on November 9, 2010 and December 9, 2010 to purchase use right of three pieces of land, which cover about 800 acres. The consideration for land transfer totaled 620 million yuan.

The subsidiary Union Health Industry (Nanning) Investment Co., Ltd. signed Assignment Contract of

Use Right of State-owned Contraction Land with Nanning Municipal Bureau of Land and Resources on July 15, 2012 to purchase use right of two pieces of land, which cover about 173 acres. The consideration for land transfer totaled 230 million yuan.

The subsidiary Union Health Industry (Shenyang) Investment Co., Ltd. signed Assignment Contract of Use Right of State-owned Contraction Land with Shenyang Municipal Bureau of Land and Resources in 2012 to purchase use right of 23 pieces of land, which cover about 934 acres. The consideration for land transfer totaled 610 million yuan. In 2013, the subsidiary purchased about 371 acres of land use right with consideration for land transfer of 240 million yuan.

The subsidiary Hefei Union Life Health Industry Investment Co., Ltd. signed Assignment Contract of Use Right of State-owned Contraction Land with Bureau of Land and Resources of Changfeng County on February 20, 2013 to purchase use right of two pieces of land, which cover about 163 acres. The consideration for land transfer totaled 65 million yuan.

The subsidiary Union Health Industry (Jinan) Investment Co., Ltd. signed Assignment Contract of Use Right of State-owned Contraction Land with Ji'nan Municipal Bureau of Land and Resources on January 16, 2014 to purchase use right of one piece of land, which cover about 139 acres. The consideration for land transfer totaled 47.50 million yuan.

16. Fixed assets

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
1) Subtotal of cost	901,379,266	27,132,392	30,938,554	897,573,104
Buildings and structures	659,150,910			659,150,910
Special equipment	157,309,163	12,974,647	13,732,024	156,551,786
Transport facilities	49,648,283	2,961,116	2,159,574	50,449,825
General equipment	35,270,910	11,196,629	15,046,956	31,420,583
2)Subtotal of accumulated depreciation	234,772,233	46,445,459	12,760,731	268,456,961
Buildings and structures	68,826,118	21,312,546		90,138,664
Special equipment	117,735,947	14,930,393	12,103,306	120,563,034
Transport facilities	40,705,729	2,688,813	494,678	42,899,864
General equipment	7,504,439	7,513,707	162,747	14,855,399
3) Subtotal of net book value	666,607,033			629,116,143
Buildings and structures	590,324,792			569,012,246
Special equipment	39,573,216			35,988,752
Transport facilities	8,942,554			7,549,961

General equipment	27,766,471			16,565,184
4)Subtotal of provision for impairment loss				
Buildings and structures				
Special equipment				
Transport facilities				
General equipment				
5) Total of carrying amount	666,607,033			629,116,143
Buildings and structures	590,324,792			569,012,246
Special equipment	39,573,216			35,988,752
Transport facilities	8,942,554			7,549,961
General equipment	27,766,471			16,565,184

Fixed assets with cost of 223,000 yuan are transferred in from construction in progress upon completion.

(2) Up to the period end, no fixed assets have been mortgaged to provide guarantee.

(3) Fixed assets with ownership not yet settled

Items	Cost	Net value	Location	Opening date
Hunan Dingwang Tower	20,618,834	15,729,879	Changsha, Hunan	August 1, 2007
Union Life conference center for eight divisions	261,482,246	253,027,653	Beijing	December 1, 2013
Subtotal	282,101,080	268,757,532		

17. Construction in progress

Items	Opening balance	Increase	Transfer-out	Closing balance
Conference center for eight divisions	309,400	10,436,591	5,856,243	4,889,748
Wuhan Union Tower Project	12,330,821	1,076,976		13,407,797
Decoration of E1 buildings		2,120,000	2,120,000	
Total	12,640,221	13,633,567	7,976,243	18,297,545

18. Intangible assets

Items	Opening balance	Increase	decrease	Closing balance
(1) Subtotal of cost	201,886,236	3,099,495		204,985,731
Computer software	29,833,036	3,099,495		32,932,531
Land use right	36,743,200			36,743,200
Land contractual operation right	135,310,000			135,310,000
(2) Subtotal of accumulated depreciation	37,204,248	6,645,036		43,849,284
Computer software	13,552,020	3,203,972		16,755,992
Land use right	2,228,145	734,864		2,963,009
Land contractual operation right	21,424,083	2,706,200		24,130,283
(3) Subtotal of net book value	164,681,988			161,136,447
Computer software	16,281,016			16,176,539
Land use right	34,515,055			33,780,191
Land contractual operation right	113,885,917			111,179,717
(4)Subtotal of provision for impairment loss				
Computer software				
Land use right				
Land contractual operation right				
(5) Total of carrying amount	164,681,988			161,136,447
Computer software	16,281,016			16,176,539
Land use right	34,515,055			33,780,191
Land contractual operation right	113,885,917			111,179,717

19. Other assets

(1) Details

Item	Closing balance	Opening balance
Transaction deposit	68,710,415	5,063,310
Financial products	50,000,000	
Prepayments	40,682,328	40,658,757
Dividend receivable	48,000,000	35,466,667
Long-term prepayments	16,155,418	17,647,316
Others	12,735,139	10,569,639
Total	236,283,300	109,405,689

(2) Balance due from related parties

Related parties	Closing balance
Beijing Taihong Yida Trade Co., Ltd. [Note]	48,000,000
Subtotal	48,000,000

[Note]: Please refer to Note IX (V) for details on investment agreement between Beijing Taihong Yida Trade Co., Ltd. and the Company.

20. Repo financial assets

(1) Details

Items	Closing balance	Opening balance
Bonds	5,641,409,778	4,398,185,831
Total	5,641,409,778	4,398,185,831

(2) Remarks on pledge

As of the balance sheet date, bonds with par value of 6,678,347,000 yuan were pledged as collateral for repo financial assets.

21. Reinsured accounts payable

Items	Closing balance	Opening balance
Hannover Re (Bermuda) Ltd., Shanghai Office	14,297,754,670	1,071,087,639
Munich Re Ltd., Beijing Office	4,422,861	4,212,125
General Re Corporation, Shanghai Office	1,081,947	1,146,432
China Life Reinsurance Co., Ltd.	2,082,205	3,568,507
Swiss Reinsurance Company, Beijing Office	14,906,224	14,185,425
Total	14,320,247,907	1,094,200,128

22. Employee benefits payable

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	58,718,182	808,202,268	793,517,280	73,403,170
Post-employment benefits - defined benefit plan	-11,155	92,327,918	92,284,025	32,738
Total	58,707,027	900,530,186	885,801,305	73,435,908

(2) Details of short-term employee benefits

Items	Opening balance	Increase	Decrease	Closing balance
Wage, bonus, allowance and subsidy	59,497,920	707,135,522	692,214,258	74,419,184
Employee welfare fund		16,985,164	16,971,118	14,046
Social insurance premium	-189,344	41,346,092	41,577,886	-421,138
Including: Medicare premium	-183,242	35,982,507	36,207,574	-408,309
Occupational injuries premium	6,253	2,302,283	2,304,112	4,424
Maternity premium	-12,355	3,061,302	3,066,200	-17,253
Housing accumulation funds	-630,520	35,963,952	35,999,751	-666,319
Trade union fund and employee education fund	40,126	6,771,538	6,754,267	57,397
Total	58,718,182	808,202,268	793,517,280	73,403,170

(3) Details of defined benefit plan

Items	Opening balance	Increase	Decrease	Closing balance
Basic endowment insurance premium	35,659	85,383,202	85,331,400	87,461
Unemployment insurance premium	-46,814	6,944,716	6,952,625	-54,723
Subtotal	-11,155	92,327,918	92,284,025	32,738

23. Taxes and rates payable

Items	Closing balance	Opening balance
Business tax	29,703,656	6,880,389
Urban construction tax	2,085,223	481,920
Education surcharge	899,957	206,380
Individual income tax	6,694,285	4,492,664
Insurance guarantee fund	14,124,082	13,822,452
Business supervision fee		67,554
Land use tax	2,327,928	1,087,317
Local education surcharge	599,773	125,300
Enterprise income tax	434,631	13,159
Others	902,128	3,451,017
Total	57,771,663	30,628,151

24. Policy dividends payable

(1) Details

Items	Closing balance	Opening balance
Declared but unclaimed policy dividend	629,008,705	576,492,715
Undeclared policy dividend that owned by the policy holder	146,145,164	149,270,615
Total	775,153,869	725,763,330

(2) Policy dividends payable include unclaimed policy dividend of participating insurance policy holder and dividends to be paid in next effective date of the policy.

25. Policy holder deposits and investment funds

(1) Details

Items	Closing balance	Opening balance
Investment account liability arising from breaking down universal insurance	13,591,214,996	10,560,539,507
Polices failing in material insurance risk test		104,924,297
Investment account liability arising from breaking down other mixed insurance contracts	110,406,572	6,396,488
Total	13,701,621,568	10,671,860,292

(2) By maturity term

Maturity term [Note]	Closing balance	Opening balance
Within 1 year (inclusive)	6,915,172	27,293,887
1 to 3 years (inclusive)	3,709,603	2,691,744
3 to 5 years (inclusive)	5,680,630	4,791,732
Over 5 years	10,630,958,479	7,452,137,498
Subtotal	10,647,263,884	7,486,914,861
Maturity term not specified in the contract	3,054,357,684	3,184,945,430
Total	13,701,621,568	10,671,860,292

[Note]: Maturity terms for the policy holder deposit and investment fund is classified in accordance with the original insurance term of the contact without considering the possibility of advance withdraw by the insurant.

26. Insurance reserves

(1) Increase and decrease

Items	Opening balance	Increase	Decrease		Others	Closing balance
			Claiming accounts	Advance rescission		
Unearned reserves	52,308,249	143,164,839	129,815,021	2,865		65,655,202
Reserve for outstanding claim	51,898,671	16,630,922				68,529,593
Life insurance reserve	23,841,951,956	10,240,254,582	2,829,115,977	2,262,630,060		28,990,460,501
Reserves for long-term health insurance liabilities	228,787,282	128,582,769	51,883,671	7,545,076		297,941,304
Total	24,174,946,158	10,528,633,112	3,010,814,669	2,270,178,001		29,422,586,600

(2) Remarks on outstanding reserves

Items	Closing balance		Opening balance	
	Less than 1 year (inclusive)	Over 1 year	Less than 1 year (inclusive)	Over 1 year
Unearned reserves	61,629,069	4,026,133	49,431,723	2,876,526
Reserve for outstanding claim	68,426,866	102,727	51,898,671	
Life insurance reserve	2,882,973,963	26,107,486,538	2,256,141,680	21,585,810,276
Long-term health insurance reserve	69	297,941,235	193	228,787,089
Total	3,013,029,967	26,409,556,633	2,357,472,267	21,817,473,891

(3) Details of reserve for outstanding claim

Items	Closing balance	Opening balance
Occurred and reported reserve for outstanding losses	19,623,961	14,474,302
Occurred but unreported reserve for outstanding losses	48,525,330	37,361,727
Claim expense reserves	380,302	62,642
Subtotal	68,529,593	51,898,671

27. Subordinated debt payable

(1) Details

Creditor	Term	Interest rate (%)	Closing balance	Opening balance
Bank of Communications	4/8/2008-4/8/2018	Annual benchmark interest rate+2.68%	600,000,000	600,000,000
Wuhan Urban Commercial Bank	6/17/2008-6/17/2018	6.95%	250,000,000	250,000,000
Bank of Dalian	7/28/2008-7/28/2018	6.95%	150,000,000	150,000,000
Changsha Commercial Bank	7/31/2008-7/31/2018	7%	100,000,000	100,000,000
Total			1,100,000,000	1,100,000,000

(2) Details of subordinated debt

In accordance with the approval by the China Insurance Regulatory Commission's Approval Response of Raising Subordinated Term Debt (numbered Bao Jian Cai Kuai [2007] No. 1624), the Company completed the issuance of subordinated debt with 10 years term in amount of 1.1 billion yuan to Bank of Communication, Wuhan Urban Commercial Bank, Dalian Bank and Changsha Commercial Bank on July 31, 2008.

Subordinated debt adopts floating interest rate, with nominal interest rate determined by adding 2.60% - 2.68% to annual benchmark interest rate which utilizes the state 1-year time deposit interest rate at the value date. If the State should adjust the 1-year time deposit interest rate in the debt duration, the benchmark interest rate for the subordinated debt should be adjusted accordingly and calculated as per different period. The subordinated debt offered by Bank of Communication has fixed term of 10 years, while Wuhan Urban Commercial Bank, Dalian Bank and Changsha Commercial Bank provide fixed term of five years plus five years. At the maturity of five-year subordinated term debt, the subscriber could continue to hold five-year subordinated term debt with the interest rate determined by both parties through consultation.

In the current period, supplemental agreements are signed between maturing banks and the Company. These banks continue to hold held-to-maturity subordinated debt with fixed interest rate.

28. Deferred tax liabilities

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Changes in fair value of held-for-trading financial assets	117,868,087	29,467,022	423,078	105,770
Changes in fair value of investment property	4,873,846,114	1,218,461,528	4,735,883,464	1,183,970,865
Accelerated depreciation of fixed assets	283,569	70,892		
Total	4,991,997,770	1,247,999,442	4,736,306,542	1,184,076,635

29. Other liabilities

(1) Details

Items	Closing balance	Opening balance
Other payables	660,145,310	36,115,556
Interests payable	201,154,393	54,101,536
Amounts not transferred into securities settlement account	153,934,283	38,566,091
Construction payable	28,496,840	28,457,351
Clerk deposit	28,707,650	25,791,918
Provisions	1,622,911	1,622,911
Custody fee payable to banks	600,870	519,333
Advances received	3,187,300	406,459
Accrued expenses	225,000	225,000
Total	1,078,074,557	185,806,155

(2) Balance due to related parties

Item	Name of related parties	Closing balance	Nature
Other payables	Zhongfa Industry (Group) Co., Ltd.	427,800,000	Capital contribution not yet approved
Other payables	湖北德凡投资有限公司 (Hubei Defan Investment Co., Ltd.*)	89,700,000	Capital contribution not yet approved
Other payables	湖北楚汉经贸有限公司 (Hubei Chuhan Trade Co., Ltd.*)	80,000,000	Capital contribution not yet approved
Other payables	斯迈特投资股份有限公司 (Simaite Investment Co., Ltd.*)	2,500,000	Capital contribution not yet approved
Construction payable	Simaite Investment Co., Ltd.	10,720,492	Construction-agent charges
Advances received	Eontime Real Estate (Group) Co., Ltd.	3,187,300	Advances received rent
Other payables	Union Younian (Wuhan) Pension Enterprise Management Co., Ltd.	301,563	Pension and conference service charge
Subtotal		614,209,355	

(3) Other remarks

Please refer to Note XIII (IV) for details on capital contribution not yet approved.

** The English names are for identification purpose only.*

30. Share capital

shareholders	Closing balance				Opening balance			
	Original currency	Actual capital contribution	Contribution proportion %	RMB equivalent	Original currency	Actual capital contribution	Contribution proportion %	RMB equivalent
Zhongfa Industry (Group) Co., Ltd.	RMB	581,554,000	20	581,554,000	RMB	556,554,000	20	556,554,000
Intesa Sanpaolo Vita S.p.A.	RMB	553,772,605	19	553,772,605	RMB	553,772,605	20	553,772,605
Simaite Investment Co., Ltd.	RMB	571,852,886	20	571,852,886	RMB	528,725,826	18	528,725,826
Hubei Defan Investment Co., Ltd.	RMB	434,631,451	14	434,631,451	RMB	407,909,995	15	407,909,995
Hubei Chuhan Trade Co., Ltd.	RMB	434,387,406	15	434,387,406	RMB	404,235,922	15	404,235,922
Beijing Tianxinjie Investment Co., Ltd.	RMB	189,926,104	7	189,926,104	RMB	189,926,104	7	189,926,104
Taiyo Life Insurance Company	RMB	141,645,548	5	141,645,548	RMB	141,645,548	5	141,645,548
Total		2,907,770,000	100	2,907,770,000		2,782,770,000	100	2,782,770,000

31. Capital reserve

Items	Opening balance	Increase	Decrease	Closing balance
Share premium		875,000,000		875,000,000
Valuation increase of investment property purchased through related transaction	235,496,896			235,496,896
Total	235,496,896	875,000,000		1,110,496,896

32. Other comprehensive income

Items	Opening balance	Current period cumulative					Closing balance
		Current period cumulative before income tax	Less: OCI carried forward transferred to profit or loss	Less: income tax	Attributable to parent company	Attributable to non-controlling interest	
Gains/losses on changes in fair value of available-for-sale financial assets	-37,854,583	42,280,512					4,425,929
Total	-37,854,583	42,280,512					4,425,929

33. Independent account asset and independent account liability

(1) Brief introductions

Independent account of the Group mainly focuses on investment-linked insurance. Investment-linked products are insurance mixed contracts which can be divided. The part belongs to non-insurance risk together with assets from investment of which shall be accounted in independent account. Please refer to Note III (XIX) for more details of related accounting policy.

(2) General information of investment-linked insurance

The Group and the Company's investment-linked insurance includes Union premium investment-linked insurance type A, Union premium investment-linked insurance type B and Union enjoy win No. 1 permanent life insurance (investment-linked type). Four investment accounts are opened under the investment-linked insurance: moderate account, balanced account, aggressive investment account and steady income investment account, which are opened with the approval of China Insurance Regulatory Commission and in accordance with Provisional Regulation on the Management of Investment-linked Insurance issued by the China Insurance Regulatory Commission and relevant regulations of the Group's investment-linked insurance rules.

(3) Unit number of the Group and the Company's investment-linked insurance investment account and net value of each investment account unit

Account	Opening time	Share	Closing balance
Moderate account	January 10, 2008	2,553,958	1.3601
Balanced account	January 10, 2008	3,659,434	0.8174
Aggressive account	January 10, 2008	6,898,628	0.7903
Steady income account	March 26, 2014	86,945,503	1.0481

(4) Details of assets and liabilities of independent account

Items	Closing balance	Opening balance
Assets:		
Cash and bank balances	832,649	4,330,667
Interest receivable	678,955	33,065
Held-for-trading financial assets	40,367,555	11,944,148
Investments in forms of receivables	62,000,000	
Total assets	103,879,159	16,307,880
Liabilities:		
Management fees payable	729,411	418,201
Taxes and rates payable	9,398	8,208
Other payables	98,939	
Independent account liabilities	18,448,004	15,881,471
Total liabilities	19,285,752	16,307,880

(5) Management fees of investment accounts of investment-linked insurance

Management fees of investment accounts are collected by the Group from the insurant according to policy terms in the investment linked insurance. The management fees of investment account assets are collected based on a percentage of investment-linked account value and is deducted directly from the investment-linked account value. The Group should accrue management fees of investment accounts according to certain percentage on each evaluation date. The actual collection rate is as follows:

Account	Annual fees rate
Moderate account	1.50%
Balanced account	2.00%
Aggressive account	2.00%
Steady income account	0.70%

(6) Surrender value and service charge under partial collection

If the surrender value and service charge under partial collection are equal to surrender value or the insurance policy account value under partial collection after the insurance responsibilities come into effect, the service charge should be collected based on a percentage of surrender value and value under partial collection. After the insurance liability has come into effect within four years, service charge proportions of the surrender value or account value of insurance policy under partial collection in the first, second, third and fourth policy year are 4%, 3%, 2% and 1%. No service charge is required after the insurance liability has come into effect after four years.

(II) Notes to items of the consolidated income statement

1. Revenue from insurance business

(1) By insurance type

Items	Current period cumulative	Preceding period cumulative
Life insurance:		
Participating insurance	4,781,346,350	5,843,848,553
Universal insurance	16,625,127	17,474,457
Traditional insurance	5,952,822,251	304,282,496
Health insurance	907,138,077	657,601,777
Accidental injury insurance	118,149,889	102,537,621
Total	11,776,081,694	6,925,744,904

(2) By nature of charges

Items	Current period cumulative	Preceding period cumulative
Single premium income	6,068,566,510	1,514,777,686

First year premium income of regular business	942,870,954	1,079,002,884
Renewal premium income of regular business	4,764,644,230	4,331,964,334
Total	11,776,081,694	6,925,744,904

(3) By insurance term

Items	Current period cumulative	Preceding period cumulative
Long-term insurance	11,091,961,098	6,408,426,449
Short-term insurance	684,120,596	517,318,455
Total	11,776,081,694	6,925,744,904

(4) By the way of sales

Items	Current period cumulative	Preceding period cumulative
Individual agents	4,772,522,086	4,257,188,747
Bank and Post agents	6,283,814,433	2,161,646,327
Professional insurance agents	356,336,218	251,100,670
Direct sales	225,986,203	112,563,421
Insurance brokers	66,828,473	73,174,511
Other part-time agents	70,594,281	70,071,228
Total	11,776,081,694	6,925,744,904

(5) Insurance business incomes all come from original insurance contracts.

2. Reinsurance business

(1) Reinsurance premium to the company and company agent, amortized compensation payout and amortized reinsurance expense are listed below (in order of reinsurance premium amount):

The Group and the Company

Reinsurance company	Current period cumulative			Preceding period cumulative		
	Reinsurance premium ceded	Refund Compensation payout	Refund Reinsured expenses	Reinsurance premium ceded	Refund Compensation payout	Refund Reinsured expenses
Hannover Re (Bermuda) Ltd. Shanghai Branch	13,298,058,947	5,839,595		285,919,720	26,912,106	786,189
Swiss Reinsurance Company Beijing Office	29,093,285	6,002,462	236,096	28,170,423	22,670,152	-640,061
Munich Re Ltd. Beijing Office	6,281,958	1,860,294	228,547	6,562,873	4,132,610	-925,328
China Life Reinsurance Company Limited	8,011,462	27,347,294	280,137	4,840,544	3,624,420	-633,966
General Re Corporation Shanghai office	2,029,470	1,530,867,271	8,583,860	2,089,976	1,514,477	-309,952
Total	13,343,475,122	1,571,916,916	9,328,640	327,583,536	58,853,763	-1,723,118

(2) Reinsurance premium classified by insurance term

Items	Current period cumulative	Preceding period cumulative
Long-term insurance	13,339,187,931	326,608,853
Short-term insurance	4,287,191	974,683
Total	13,343,475,122	327,583,536

3. Unearned premium reserves

(1) Details

Items	Current period cumulative	Preceding period cumulative
Allotted from original insurance contract unearned reserves (less: reversal)	13,346,953	1,786,544
Less: amortized reinsurance contract unearned reserves	1,484,736	-28,502
Total	11,862,217	1,815,046

(2) By insurance type

Items	Current period cumulative	Preceding period cumulative
Accidental injury insurance	5,023,304	951,141
Health insurance	6,838,913	863,905
Total	11,862,217	1,815,046

4. Investment income

Items	Current period cumulative	Preceding period cumulative
Held-to-maturity investment income	1,000,028,860	757,890,141
Interests for time deposit, cash and cash equivalents	358,372,617	424,300,905
Interest for debt investment plan in forms of receivables	731,084,210	206,403,851
Available-for-sale financial assets income	554,235,028	60,838,885
Investment income of associates	42,066,730	31,704,250
Income from reverse repo financial assets	15,563,709	6,985,525
Bond conversion fees	-8,640,269	157,344
Derivative financial assets income	-91,634,732	-25,056
Investment income from financial assets at fair value through profit or loss	272,818,228	-38,418,330
Interest for repo securities	-167,059,417	-151,725,546
Total	2,706,834,964	1,298,111,968

5. Gains on changes in fair value

Items	Current period cumulative	Preceding period cumulative
Financial assets at fair value through profit or loss		
Bond	22,698,919	-30,066,262
Stock	60,520,269	1,211,891
Funds	53,540,221	-12,517,414
Investment property	137,962,650	1,953,320,347
Derivative financial assets	-52,675,932	12,480
Total	222,046,127	1,911,961,041

6. Revenue from other operations

Item	Current period cumulative	Preceding period cumulative
Income of account management fee	71,678,823	41,985,777
House rental income	48,419,918	38,903,145
Interest income from pledged loan of policy holder	28,492,622	17,476,942
Interest income from current deposits	12,974,066	13,313,914
Others	13,907,472	9,283,515
Total	175,472,901	120,963,293

7. Surrender value

(1) Details

Items	Current period cumulative	Preceding period cumulative
Life insurance	2,262,630,060	2,354,086,759
Long-term health insurance	7,547,941	6,090,197
Total	2,270,178,001	2,360,176,956

(2) In the current period, all surrender value comes from original insurance contract.

8. Compensation payout

(1) Details

Items	Current period cumulative	Preceding period cumulative
Time-expired payment	2,366,841,336	1,477,892,212
Pension compensation system	360,416,293	354,448,840
Compensation payout	129,659,457	126,615,847

Accident compensation system for casualties	153,897,582	134,212,483
Total	3,010,814,668	2,093,169,382

(2) Compensation payout classified by insurance contract

Items	Current period cumulative	Preceding period cumulative
Accidental injury insurance	13,039,633	15,667,828
Health insurance	116,619,824	110,948,019
Subtotal	129,659,457	126,615,847

(3) Details of death, injury and medical treatment expenses

Items	Current period cumulative	Preceding period cumulative
Traditional life insurance	13,119,337	6,516,410
Participating insurance	78,357,766	74,726,209
Universal insurance	10,531,244	11,130,288
Health insurance	51,889,235	41,839,575
Subtotal	153,897,582	134,212,483

(4) In the current period, all compensation payout comes from original insurance contract.

9. Insurance reserve allotment

(1) Details

Items	Current period cumulative	Preceding period cumulative
Allotment of reserves for outstanding claims	16,630,922	13,380,122
Allotment of life insurance reserve	5,148,508,545	1,148,521,603
Allotment of long-term health insurance reserve	69,154,022	81,139,991
Total	5,234,293,489	1,243,041,716

(2) Details of reserves for outstanding claims of original insurance contract classified by contents

Items	Current period cumulative	Preceding period cumulative
Occurred and reported reserve for outstanding losses	5,149,658	-825,580
Occurred but unreported reserve for outstanding losses	11,163,603	14,195,112
Claim expense reserves	317,661	10,590
Subtotal	16,630,922	13,380,122

10. Amortized insurance premium reserve

(1) Details

Items	Current period cumulative	Preceding period cumulative
Amortized outstanding claim of reserves	1,694,297	-3,122,191
Amortized life insurance reserve	11,897,156,935	260,883,218
Amortized long-term life insurance reserve	622,192	1,326,527
Total	11,899,473,424	259,087,554

(2) In the current period, all amortized insurance liability reserve comes from original insurance contracts.

11. Policy dividend payment

Policy dividend payment is accrued for effective policies and should be assigned to declared dividend and undeclared policy dividend of participating insurance business customers.

12. Taxes and surcharge for operations

Items	Current period cumulative	Preceding period cumulative
Business tax	36,396,870	12,869,066
Urban maintenance and construction tax	2,599,809	1,298,006
Education surcharge and local education surcharge	1,869,998	942,813
Others	1,407,891	984,002
Total	42,274,568	16,093,887

13. Handling fees and commissions

Items	Current period cumulative	Preceding period cumulative
Handling fees	226,814,117	107,492,678
Commissions:		
Direct first year commissions	193,743,852	185,005,632
Direct subsequent year commissions	79,233,464	75,784,776
Indirect commissions	258,522,778	261,071,036
Total	758,314,211	629,354,123

14. Operational and administrative expenses

Items	Current period cumulative	Preceding period cumulative
Employee benefits	886,632,812	830,609,737
Website IT service charges	367,365,007	204,321,873
Decoration and rent fees	152,925,614	145,937,443

Business entertainment	77,312,065	67,645,323
Meeting expenses	73,128,010	59,397,947
Publicity expenses	52,411,417	44,225,431
Depreciation	53,090,495	35,578,838
Consulting fees	46,615,876	35,021,111
Insurance guarantee fund and supervision fees	37,092,151	34,490,240
Postal fees	33,501,080	31,597,403
Travel expenses	32,634,635	30,402,178
Incidental expenses	30,911,307	30,120,689
Property management fees	21,193,325	21,941,378
Taxes	23,887,322	21,295,087
Water and electricity charges	18,325,735	19,490,935
Vehicle and vessel use charges	18,601,842	19,278,140
Running costs of electronic equipment	10,231,943	11,014,565
Investment management and custodial fees	2,889,183	2,137,210
Others	115,684,922	112,978,239
Total	2,054,434,741	1,757,483,767

15. Costs of other operations

Items	Current period cumulative	Preceding period cumulative
Interest expenses for universal insurance	589,071,757	265,367,516
Interest expense of subordinated debt	68,715,616	65,359,673
Other interest expenses	221,860,124	63,956,995
Other operation expenses	35,077,893	62,431,971
Total	914,725,390	457,116,155

16. Assets impairment loss

Items	Current period cumulative	Preceding period cumulative
Bad debts of other receivables (less: reversal)	1,139,185	637,981
Total	1,139,185	637,981

17. Income tax expenses

Items	Current period cumulative	Preceding period cumulative
Income taxes of current period	469,883	13,159
Deferred income tax expenses	63,922,807	480,210,499
Total	64,392,690	480,223,658

18. Other comprehensive income

Please refer to notes to other comprehensive income for post tax balance of other comprehensive income.

(III) Notes to items of the consolidated cash flow statement

1. Reconciliation of net profit to cash flow from operating activities

Supplementary information	Closing balance	Opening balance
Net profit	406,168,236	935,645,162
Add: Provision for asset impairment	1,139,185	637,981
Fixed assets depreciation	46,445,460	35,578,838
Amortization of intangible assets	6,645,035	3,888,199
Amortization of long-term prepayments	11,707,431	11,022,881
Loss on disposal of fixed assets and intangible assets (Less: gains)	-120,403	-629,547
Exchanges losses (Less: gains)	63,490	2,286,875
Losses on changes of fair value (Less: gains)	-222,046,127	-1,911,961,041
Investments losses (Less: gains)	-2,706,834,964	-1,298,111,968
Changes in deferred tax assets/liabilities	63,922,807	480,210,499
Interest expense of subordinated debt	237,806,616	65,359,673
Interest losses of policy pledged loan (Less: gains)	-28,492,622	-17,476,942
Provision for insurance guarantee reserves	-6,653,317,718	985,769,208
Increases of deposit and investment from policy holder (Less: decreases)	2,936,335,085	6,640,353,808
Decrease in operating receivables (Less: increase)	-1,700,320,224	77,743,136
Increase of operating payables (Less: decrease)	13,619,645,074	737,452,962
Net cash flows from operating activities (Less: decrease)	6,018,746,361	6,747,769,724

2. Net changes of cash and cash equivalents

Items	Closing balance	Opening balance
Closing balance of cash and cash equivalent	2,318,129,569	2,100,657,399
Less: Opening balance of cash and cash equivalent	2,100,157,399	2,663,555,479
Net increase of cash and cash equivalents (Less: decrease)	217,972,170	-562,898,080

(IV) Notes to items of the parent company balance sheet

1. Cash and bank balances

(1) Details

Items	Closing balance	Opening balance
Cash on hand		19,176
Cash in bank	1,845,647,128	1,740,952,057
Other cash and bank balances	118,982,442	25,186,470
Total	1,964,629,570	1,766,157,703

(2) Cash and bank balances - cash and bank balances in foreign currencies

Items	Closing balance		Opening balance	
	Amount in original currency	RMB equivalent	Amount in original currency	RMB equivalent
RMB		1,811,758,934		1,740,841,190
HKD	42,955,990	33,886,692	139,109	109,371
USD	245	1,502	245	1,496
Total		1,845,647,128		1,740,952,057

(3) Up to the period end, no restriction exists on the use of cash and bank balances.

2. Other receivables

(1) Details

Items	Closing balance				Opening balance			
	Amount	Proportion (%)	Provision for bad debts	Carrying amount	Amount	Proportion (%)	Provision for bad debts	Carrying amount
Deposit and advances on behalf	28,779,446	7	2,205,479	26,573,967	37,669,822	13	2,465,629	35,204,193
Deposit of bid for land	200,000,000	47	1,000,000	199,000,000				
Employees' borrowing	3,059,576	1	23,662	3,035,914	1,208,162		14,405	1,193,757
External current account	55,240,063	13	1,408,718	53,831,345	85,510,002	29	992,271	84,517,732
Prepaid taxes	88,130,473	21		88,130,473	140,013,769	47		140,013,769

Deposit-in-transit of Yinbaotong	43,381,848	10	242,775	43,139,073	32,427,480	11	185,547	32,241,933
Others	3,278,253	1	90,531	3,187,722	1,883,184		39,499	1,843,685
Total	421,869,659	100	4,971,165	416,898,494	298,712,418	100	3,697,349	295,015,068

(2) Age analysis

Items	Closing balance				Opening balance			
	Amount	Proportion (%)	Provision for bad debts	Carrying amount	Amount	Proportion (%)	Provision for bad debts	Carrying amount
Within 1 year (inclusive)	311,786,416	74	1,329,674	310,456,742	281,138,274	94	724,826	280,413,448
1 to 2 years (inclusive)	97,572,445	23	282,293	97,290,152	6,821,713	2	34,109	6,787,604
2 to 3 years (inclusive)	7,712,254	2	1,542,451	6,169,803	4,213,604	1	345,000	3,868,604
Over 3 years	4,798,544	1	1,816,747	2,981,797	6,538,827	2	2,593,415	3,945,412
Total	421,869,659	100	4,971,165	416,898,494	298,712,418	100	3,697,349	295,015,068

(3) Details of other receivables with provision made on individual basis

Items	Closing balance	Ages	Provision for bad debts
Prepaid taxes	45,851,590	Within 1 year	
	41,113,834	1-2 years	
	1,165,049	Over 3 years	
Total	88,130,473		

As there is obvious difference between prepaid taxes and other receivables in recoverability, no provisions are made on prepaid taxes in the reporting period.

(4) Balance due from related parties

Related parties	Closing balance	Nature
Union Health Industry (Shenyang) Investment Co., Ltd.	50,000,000	Call loans
Union Property Insurance Co., Ltd.	8,795,127	Advance payment
Heyi Financial E-Commerce (Beijing) Co., Ltd.	1,067,130	House rent
Union Science and Technology Service Co., Ltd.	763,517	Advance payment
Union Assets Management Co., Ltd.	645,435	Advance payment
Subtotal	61,271,209	

3. Long-term equity investments

(1) Details

Items	Closing balance	Opening balance
Under cost method:		
Investment in subsidies		
Union Health Industry (Wuhan) Investment Co., Ltd.	1,229,000,000	1,100,000,000
Union Health Industry (Shenyang) Investment Co., Ltd.	1,020,000,000	970,000,000
Union Health Industry (Nanning) Investment Co., Ltd.	351,200,000	270,000,000
Union Property Insurance Co., Ltd.	198,000,000	
Union Life Insurance Co., Ltd.	190,000,000	95,000,000
Hefei Union Life Health Industry Investment Co., Ltd.	100,000,000	100,000,000
Union Health Industry (Ji'nan) Investment Co., Ltd.	100,000,000	100,000,000
Union Science and Technology Service Co., Ltd.	50,000,000	50,000,000
Shengshi Union Insurance Sales Co., Ltd.	50,000,000	50,000,000
Union Younian (Beijing) Investment Co., Ltd.	50,000,000	50,000,000
Zhengzhou Union Younian Investment Co., Ltd.		500,000
Subtotal	3,338,200,000	2,785,500,000
Under equity method:		
Other investments:		
Wuhan Microfinance Service Platform Corp.	30,264,313	35,996,836
Union Younian (Wuhan) Pension Enterprise Management Co., Ltd.		200,747
Subtotal	30,264,313	36,197,583
Total	3,368,464,313	2,821,697,583

(2) Please refer to Note VI (I) for details on the Group's investment in subsidiaries.

(V) Notes to items of the parent company income statement

1. Revenue and expenditures of insurance business

They are the same as the consolidated data.

2. Investment income

Items	Current period cumulative	Preceding period cumulative
Held-to-maturity investment income	1,000,028,860	757,890,141
Interests for time deposit, cash and	355,819,528	422,590,905

cash equivalents		
Interest for debt investment plan in forms of receivables	731,084,210	206,403,851
Available-for-sale financial assets income	602,235,029	60,838,885
Investment income of associates	-6,300,943	31,704,250
Income from reverse repo financial assets	15,563,708	6,985,525
Bond conversion fees	-8,640,268	157,344
Derivative financial assets income	-91,634,732	-25,056
Investment income from financial assets at fair value through profit or loss	270,818,682	-38,418,330
Interest for repo securities	-167,059,417	-151,725,546
Total	2,701,914,657	1,296,401,968

(III) Notes to items of the parent company cash flow statement

1. Reconciliation of net profit to cash flow from operating activities

Supplementary information	Closing balance	Opening balance
Net profit	333,464,942	-205,890,066
Add: Provision for assets impairment loss	1,273,816	486,595
Fixed assets depreciation	43,383,409	34,101,440
Amortization of intangible assets	5,463,536	2,758,689
Amortization of long-term prepayments	11,707,431	10,150,558
Loss on disposal of fixed assets and intangible assets (Less: gains)	-120,403	-629,547
Exchanges losses (Less: gains)	-107,742	2,286,875
Losses on changes in fair value (Less: gains)	-82,618,555	-356,321,713
Investments losses (Less: gains)	-2,701,914,657	-1,296,401,968
Changes in deferred tax assets/liabilities	28,995,022	91,300,667
Interest expense of subordinated debt	237,806,615	65,359,673
Interest losses of policy pledged loan (Less: gains)	-28,492,622	-17,476,942
Provision for insurance guarantee reserves	-6,653,317,718	985,769,208
Increases of deposit and investment from policy holder (Less: decreases)	2,936,335,085	6,640,353,808
Decrease in operating receivables (Less: increase)	-1,705,515,001	222,707,813
Increase of operating payables (Less: decrease)	13,637,772,997	649,103,865
Net cash flows from operating activities (Less: decrease)	6,064,116,155	6,827,658,955

2. Net changes of cash and cash equivalents

Items	Closing balance	Opening balance
Closing balance of cash and cash equivalents	1,964,629,570	1,766,157,703
Less: Opening balance of cash and cash equivalents	1,766,157,703	2,440,662,733
Net increase of cash and cash equivalents (Less: decrease)	198,471,867	-674,505,030

VIII. Segment Reporting

(I) Preparation basis of segment reporting

According to requirements of "CASBE 3 - Explanation for Accounting Standard of Business Enterprise published by the Ministry of Finance of PRC, the Group determines operation segments in accordance with internal organizational structure, management requirements, internal reporting system, and determines reporting segments based on operation segment. Operation business of the Group is done inside China in which risk and reward of the economic environment is similar. Accounting policy for segment reporting is same as that for Financial Statement.

(II) Reporting segments of the Group based on operation segment are classified as follows:

1. Individual business

Individual business mainly refers to the individual insurances sold by insurance agents.

2. Bank business

Bank business mainly refers to the individual insurances sold by bank agents.

3. Organization business

Organization business mainly refers to the insurance contracts sold to organization and entity.

4. Immovable property business

Immovable property business mainly refers to the immovable property business carried out by the Group.

5. Investment business

Investment business mainly refers to the asset management business carried out by the Group.

6. Other businesses

Other businesses mainly refer to policy management service provided to the customer by the Group and non-amortizable income and expense of the Group.

(III) Amortization base for each income and expense needed to be amortized

Investment profit, profit and loss for fair value change and exchange loss should be amortized to each segment in accordance with ratio between monthly average insurance contract reserve and policy holder deposit and investment fund of corresponding part. Business and management fees and other operation expenses should be amortized to each segment in accordance with the expense amortization method filed by the Group to the regulatory institute. Non-operating income and expenses should be amortized to other business segments.

(IV) Amortization base for each asset and liability needed to be amortized

Financial asset and financial liability should be amortized to each segment in accordance with ratio between monthly average insurance contract reserve and policy holder deposit and investment fund of corresponding part. Premium receivable, reinsurance premium and reserve receivable, policy loan, compensation payable, policy dividend payable, reinsurance premium payable, reserve liability, policy holder deposit and investment fund should be directly designated to each segment.

For the year ended December 31, 2014

Items	Personal insurance	Bank agent	Group insurance	New channels	Immovable property	Investment business	Unamortized amount	Amount of offset	Total
Incomes from insurance business	4,771,166,690	6,351,524,809	258,821,806	394,568,389					
Less: reinsurance premium	319,818,670	13,020,703,417	1,784,450	1,168,585					
Provision for unearned reserve	1,451,051		9,144,711	1,266,456					
Investment income	863,953,353	1,822,256,337	9,571,717	6,133,249	2,312,924	2,239,711			367,672
Gains on changes in fair value	26,417,776	55,720,555	292,682	187,541	139,850,650	-423,078			
Exchange gains and losses	34,451	72,665	382	245					
Revenue from other operations	27,416,335	16,846,309	585,234	620,678	2,507,810	89,987,357	331,233	62,610,047	-25,432,102
Total revenue from operation	5,367,718,886	-4,774,282,742	258,342,659	399,075,062	144,671,383	91,803,990	331,233	62,610,047	-25,064,430
Surrender value	176,516,414	2,092,289,338	385,993	986,256					
Compensation payout	457,268,707	2,442,596,934	109,231,022	1,718,005					
Less: Amortized compensation expenses	69,043,808	1,502,398,107	95,898	379,103					
Provision for unearned reserve	2,856,015,090	2,353,449,147	11,880,152	12,949,100					
Less: Amortized insurance reserve	250,493,159	11,647,623,608	-48,294	1,404,951					
Policy dividend payment	94,783,317	155,048,467	1,445,961	197,432					
Taxes and surcharge for operations	12,307,107	20,593,537	-671,529	2,442,371	2,640,696	4,959,998		2,388	
Handling fees and commissions	526,808,913	175,151,247	50,681,449	5,672,603					
Operational and administrative fees	782,454,736	712,511,446	99,599,240	358,262,224	34,528,809	86,484,959	7,352,653		-26,759,328
Less: Amortized reinsurance expenditure	1,923,303	7,404,557	102	678					

Costs of other operations	182,809,971	625,394,597	2,813,106	30,400,167	30,023	171,232	-	73,105,458	837
Assets impairment loss					-1,683	18	30	1,273,816	-132,996
Total operation expenses	4,767,503,984	-4,580,391,558	275,317,687	410,843,428	37,197,846	91,616,206	7,352,683	74,381,661	-26,891,486

Operating profit (loss)	600,214,902	-193,891,184	-16,975,028	-11,768,367	107,473,538	187,784	-7,021,450	-11,771,614	1,827,056

As of December 31, 2014

Items	Personal insurance	Bank agent	Group insurance	New channels	Immovable property	Investment business	Unamortized amount	Amount of offset	Total
Depreciation and amortization	19,362,624	40,839,778	214,518	137,456	1,350,308	1,461,574	69,598		
Capitalized expenditures	6,657,693	4,490,158	23,585	15,113	5,052,277	2,062,200	4,169,137		

For the year ended December 31, 2013

Items	Personal insurance	Bank agent	Group insurance	New channels	Immovable property	Investment business	Unamortized amount	Amount of offset	Total
Incomes from insurance business	4,256,733,758	2,185,283,094	257,308,596	226,419,456					6,925,744,904
Less: reinsurance premium	321,247,466	5,807,485	267,127	261,458					327,583,536
Provision for unearned reserve	1,158,576		-1,224,746	1,881,216					1,815,046
Investment income	369,497,895	918,972,153	5,677,628	2,254,293		1,710,000			1,298,111,968
Gains on changes in fair value	-11,908,732	-29,618,011	-182,987	-72,655	1,953,320,347	423,078			1,911,961,041
Exchange gains and losses	-651,801	-1,621,083	-10,015	-3,977					-2,286,875
Revenue from other operations	20,381,904	14,026,856	562,950	71,220	2,644,365	56,964,114	52,200,460	-25,888,577	120,963,293
Total revenue from operation	4,311,646,982	3,081,235,523	264,313,791	226,525,664	1,955,964,713	59,097,193	52,200,460	-25,888,577	9,925,095,749

Surrender value	125,778,294	2,233,426,955	406,045	565,661					2,360,176,956
Compensation payout	448,105,933	1,539,558,826	103,041,650	2,462,973					2,093,169,382
Less: Amortized compensation expenses	55,655,983	2,964,381		233,400					58,853,763
Provision for unearned reserve	2,462,594,950	-1,236,441,607	12,918,733	3,969,640					1,243,041,716
Less: Amortized insurance reserve	261,258,160	702,742	-2,873,490	141					259,087,554
Policy dividend payment	90,500,335	184,997,177	476,663	116,684					276,090,860
Taxes and surcharge for operations	4,292,527	2,296,249	4,751,840	1,578,270	2,662	3,172,039	298		16,093,887
Handling fees and commissions	521,861,444	56,839,971	42,428,184	8,224,524					629,354,123
Operational and administrative fees	727,353,615	440,077,032	236,963,083	289,028,211	27,794,693	62,155,710		-25,888,577	1,757,483,767
Less: Amortized reinsurance expenditure	-1,109,545	-634,792	27,975	-6,756					-1,723,118
Costs of other operations	173,625,660	206,027,039	2,641,816	2,031,326	22,455		72,767,858		457,116,155
Assets impairment loss					558,498	-7,113	486,595	-400,000	637,981
Total operation expenses	4,238,308,160	3,423,749,312	406,473,529	307,750,504	28,378,310	65,320,637	73,254,751	-26,288,577	8,516,946,626

Operating profit (loss)	73,338,823	-342,513,789	-142,159,738	-81,224,841	1,927,586,403	-6,223,445	-21,054,291	400,000	1,408,149,123

As of December 31, 2013

Items	Personal insurance	Bank agent	Group insurance	New channels	Immovable property	Investment business	Unamortized amount	Amount of offset	Total
Depreciation and amortization	13,406,649	33,343,457	206,004	81,793	1,307,382	25,069			48,370,355
Capitalized expenditures	-9,637,301	-23,968,774	-148,085	-58,797	316,345,255	910,758			283,443,056

IX. Related party relationships and transactions

(I) Related parties

1. Please refer to notes to business combination and consolidated financial statements for details of subsidiaries.

2. Other related parties of the Group

Name of other related parties	Relationship with the Group
Zhongfa Industry (Group) Co., Ltd.	Shareholder (holding 20%)
Simaite Investment Co., Ltd.	Shareholder (holding 19.67%)
Union Younian (Wuhan) Pension Enterprise Management Co., Ltd.	Associates
戴皓(Dai Hao)	Actual holder
戴迪(Dai Di)	Lineal relatives of 戴皓(Dai Hao)
Eontime Real Estate (Group) Co., Ltd.	Holding subsidy of Zhongfa Industry (Group) Co., Ltd.
Beijing Taihong Yida Trade Co., Ltd.	Shareholder
Heyi Financial E-Commerce (Beijing) Co., Ltd.	Wholly-owned subsidiary of Zhongfa Industry (Group) Co., Ltd.
哈尔滨泰鸿房地产开发有限公司 (Harbin Taihong Real Estate Development Co., Ltd.*)	Wholly-owned subsidiary of Eontime Real Estate (Group) Co., Ltd.
永泰房地产（呼和浩特）有限公司 (Eontime Real Estate (Hohhot) Co., Ltd.*)	Subsidiary of Eontime Real Estate (Group) Co., Ltd.

(II) Related parties transactions

1. Lease

(1) Buildings leased in from related parties

Items	Lessors	Lease expenses for current period	Lease expenses for the preceding period	Lease price
Branch office	戴皓 (Dai Hao) and 戴迪(Dai Di)	20,604,178	20,574,263	Market price
Basement of Union Tower	Eontime Real Estate (Group) Co., Ltd.	2,248,176	2,175,233	Market price
Subtotal		22,852,354	22,749,496	

(2) Buildings leased out to related parties

Items	Lessees	Lease income for current period	Lease income for the preceding period	Lease price
E1 Building	Eontime Real Estate (Group) Co., Ltd.	12,774,600	5,949,814	Market price
4th floor of Union Tower	Heyi Financial E-Commerce (Beijing) Co., Ltd.			Market price
Subtotal		12,774,600	5,949,814	

** The English names are for identification purpose only.*

2. In 2014, the Company purchased the collective capital trust plan established by Beijing International Trust Co., Ltd. with total amount of 4.697 billion yuan. The financing entity of this trust plan is Eontime Real Estate (Group) Co., Ltd. Details are:

Trust plan	Project company	Project name	Amount of trust	Trust term	Estimated annual returns rate (%)	Interest proceeds of the current period	Interest receivable at the period end
Chuangxin No. 7	Harbin Taihong Real Estate Development Co., Ltd.	Harbin Eontime city project	1.70 billion	7 years	8.30	123.5904 million	4.2523 million
Chuangxin No. 8	Eontime Real Estate (Hohhot) Co., Ltd.	Hohhot Eontime city project	2.997 billion	7 years	8.30	213.4965 million	7.4966 million
Total			4.697 billion			337.0869 million	11.7489 million

(III) Please refer to notes to related items for amount due to or due from related parties.

(IV) Key management's emoluments

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	33.35 million	21.88 million
Subtotal	33.35 million	21.88 million

(V) Investments in Beijing Taihong Yida Trade Co., Ltd.

1. Brief introduction

Beijing Taihong Yida Trade Co., Ltd. is a wholly-owned subsidiary of Eontime Real Estate (Group) Co., Ltd. (with registered capital of 2 million yuan). Pursuant to relevant investment agreement, the Group will increase capital of Beijing Taihong Yida Trade Co., Ltd. in amount of 600 million yuan after Eontime Real Estate (Group) Co., Ltd. finished the capital increase and contribution of Beijing Taihong Yida Trade Co., Ltd. Among which, 20.84 million yuan is paid-in capital, and the rest is capital reserve. Amount of capital increase is used in New Trade and Commercial Logistics Center Project and daily operation.

2. Agreement on and accrual of earnings

Beijing Taihong Yida Trade Co., Ltd. pays break-even annual earnings i.e. 8% of the total investment amount to the Company; for earnings over 8% of the total investment amount, the Company does no has corresponding distribution right.

Pursuant to profit distribution plan of 2014 passed by the General Meeting of Beijing Taihong Yida Trade Co., Ltd. on December 31, 2014, dividend distributed to the Company totaled 48,000,000 yuan. Based on the said profit distribution plan and related investment agreement, the Company recognized dividend receivable due from Beijing Taihong Yida Trade Co., Ltd. for the year ended December 31, 2014 at a total of 48,000,000 yuan.

3. Agreement on equity repurchase

Eontime Real Estate (Group) Co., Ltd. and Beijing Taihong Yida Trade Co., Ltd. committed that the annual profit incomes of Beijing Taihong Yida Trade Co., Ltd. will be no less than 8% of the total investment amount by the Group and Beijing Taihong Yida Trade Co., Ltd. would go public within 5 years; if the said commitment was not delivered, the Group has the right to require Eontime Real Estate (Group) Co., Ltd. to repurchase the equity at original investment amount.

X. Risk Management

The Group faces various insurance risk, financial risk, and mismatch risk between asset and liability in operation activity, in which insurance risk is generated by major insurance contract, financial risk is generated by major financial instrument. Insurance contract of the Group includes original contract and reinsurance contract. Major financial instruments include equity investment, liability investment, account receivable, account payable, borrowing, policy holder deposit and investment fund. Refer to "Note VII' for details of these insurance contracts and financial instruments. Risks related to these insurance contracts and financial instruments, and risk management policies adopted by the Group to lower these risks are described as follows. The Group's management manages and monitors these risk exposures so as to ensure that above risk is controlled in limited scope.

Tolerance of risk is the core features of the Group's operation activity. The target of risk management by the Group is to balance risk and profit, and minimize the negative influence of risk on the Group's operation performance, and maximize the profit of shareholder and other equity investor, and to decrease unfavorable effect on the financial status as much as possible. Base on this risk management target, the fundamental strategy of the Group's risk management is to identify and evaluate various risks in the industry, establish appropriate risk tolerance baseline and risk management, and to supervise all risks timely and reliably so as to control risk in limited scope.

(I) Insurance risk

Insurance risk refers to the possibility of insured event and uncertainty of compensation amount and time caused consequently. Major insurance risk faced by the Group is that actual compensation amount and policy holder profit payment exceeds the book value of accrued insurance reserve, which is effected by claim ratio, severity of claim, actual compensation and long-term claiming progress. Insurance risk management is the major target of the Group's risk management. The Group takes solvency maintenance as an important index for regular operation and ensures that sufficient insurance reserves are allotted to pay such liabilities.

1. Insurance risk type

Insurance risk may occur in many situations, for example, possibility of insurance accident occurrence number differing from expectation (occurrence risk), possibility of insurance accident occurrence cost differing from expectation (severity risk), and possibility of policy holder's premium amount changing after expiration of contract (development risk).

Specifically, insurance risk is mainly reflected by product pricing risk, insurance reserve risk and reinsurance risk.

(1) Product pricing risk

Product pricing risk refers to the deviation between actual surrender rate, claim rate, investment yield and expense rate between product pricing hypothesis and the influence of these deviations on the Group. Measures taken by the Group to mitigate the risks include:1) Adopting conservative occurrence rate and large safety margin when pricing; conducting real-time trace after product entering market, adjusting price or stop sales based various empirical analyses and deviation between pricing hypothesis and actual results;2) Establishing strategy asset allocation plan, and setting pricing hypothesis yield in accordance with investment yield of strategy allocation;3) Establishing matching business plan and expense plan, and adopting strict expense management system.

(2) Insurance reserve risk

Insurance reserve risk refers to insurance reserve allotted is insufficient to pay actual compensation and policy holder profit payable because of inappropriate accrual standard and method. Measures taken by the Group to mitigate the risks include:1) Measuring insurance contract reserve based on reasonable estimation of expenses necessary for the performance of relevant obligations under the insurance contract, and conducting adequacy test to unearned premium reserve, outstanding claim reserve, life insurance reserve, long term health insurance reserve base on overall business on balance sheet date;2) Evaluating solvency margin ratio of the company in accordance with legal premium reserve, and implementing solvency regulation measures.

(3) Reinsurance risk

Reinsurance risk refers to loss risk of inadequate control over the distribution of self-retention risk and transfer risk caused by inappropriate arrangement of reinsurance resulting in unexpected claim; at the same time, even though the Group might have already signed reinsurance contract, but this should not alleviate the Group's direct responsibility towards policy holder. Therefore, credit risk caused by reinsurance company's failure to perform responsibilities under the reinsurance contract is also possible. Measures taken by the Group to mitigate the risks include:1) Arranging and adjusting the self-retention risk premium and premium ration of reinsurance reasonably in accordance with the business development situation of the Group;2) Arranging reasonable and appropriate reinsurance, carrying out reinsurance business with reinsurance company with high credit; standards for choosing reinsurance company by the Group includes financial strength, service, reinsurance clause, claim settlement efficiency and price.

The Group chooses and accepts insurable risk through risk type development and underwriting; evaluates, measures, and monitors insurance risk to be tolerated through monitoring solvency, adequacy of insurance reserve and other indexes; limits and transfer insurance risk to be tolerated through reinsurance arrangement and other measures.

2. Insurance risk concentration

Operation business of the Group is done inside China, therefore, insurance risk classified by region mainly concentrates in China.
The Company's insurance contracts classified by concentration of insurance type are as follows:

Incomes from insurance business

Name of insurance	Current period cumulative		Preceding period cumulative	
	Amount	Proportion%	Amount	Proportion%
Union zhiying changhong two-way insurance	5,245,849,000	44.55	59,231,000	0.86
Union pension fixed investment annuities insurance (participation)	533,717,436	4.53	533,896,300	7.71
Union fortune annuity insurance (participation) class A	524,950,847	4.46	551,714,695	7.97
Union xingfurensheng permanent life insurance (participation)	467,418,641	3.97	475,998,611	6.87
Union jufu fixed investment two-way insurance (participation)	463,297,552	3.93	457,403,487	6.60
Other insurances	4,540,848,217	38.56	4,847,500,812	69.99
Total	11,776,081,693	100	6,925,744,905	100

Insurance payment

Insurance type	Current period cumulative		Preceding period cumulative	
	Amount	Proportion%	Amount	Proportion%
Union changhong two-way insurance (participation) class A	2,146,591,649	71.29	1,437,455,780	68.67
Union changhong two-way insurance (participation) class C	107,493,613	3.57	50,121,275	2.39
Union changhong yongfeng two-way insurance (participation)	96,842,105	3.22	2,049,013	0.10
Union pension fixed investment annuities insurance (participation)	92,169,674	3.06	97,064,431	4.64
Union happy annuity insurance (participation)	65,662,806	2.18	69,599,948	3.33
Other insurances	502,054,822	16.68	436,878,934	20.87
Total	3,010,814,669	100	2,093,169,381	100

Life insurance contract reserves

Insurance type	Current period cumulative		Preceding period cumulative	
	Amount	Proportion%	Amount	Proportion%
Union zhiying changhong two-way insurance	5,207,129,623	101.15	53,833,490	4.69

Union zhizun changhong two-way insurance (participation)	426,538,129	8.28	-336,440,136	-29.29
Union fuman changhong two-way insurance (participation)	413,023,021	8.02	546,658,706	-42.56
Union changhong two-way insurance (participation) class A	372,918,114	7.24	335,070,265	29.17
Union happy annuity insurance (participation)	352,191,788	6.84	-270,669,768	-23.57
Other insurances	-1,623,292,129	-31.53	820,069,046	161.56
Total	5,148,508,546	100.00	1,148,521,603	100.00

3. Hypothesis and sensitivity analysis

(1) Long term life insurance and health insurance contracts

The Group should make important judgment over discount rate hypothesis, insurance incident rate hypothesis (mainly including mortality rate and disease incident rate), surrender rate hypothesis, expense hypothesis, policy dividend hypothesis when measuring the premium reserve for long term life insurance and health insurance contacts, and these measurement hypothesis should be determined based on the current information that can be obtained on the balance sheet date.

(2) Discount rate

For insurance contract whose future insurance interest is not influenced by the corresponding asset portfolio investment interest, the Group determines the discount rate hypothesis based on the Treasury Yield Curve of 750 working days prepared by China Government Securities Depository Trust & Clearing Co., Ltd. together with considering liquidity, tax and other factors when considering the influence of currency time value. Discount rate hypothesis adopted in 2014 is arrived by adding 60 bp to the Treasury Yield Curve of 750 working days on Dec. 31, 2014 (Discount rate hypothesis adopted in 2013 is arrived by adding 60 bp to the Treasury Yield Curve of 750 working days on Dec. 31, 2013).

For insurance contract whose future insurance interest is influenced by the corresponding asset portfolio investment interest, the Group determines the expected investment yield of corresponding asset portfolio together with considering the influence of currency time value. Discount rate hypothesis adopted in 2014 is 5% (same as that of 2013).

(3) Mortality rate and disease incidence rate

Mortality rate hypothesis is determined according to the previous mortality rate data of the Group and evaluation of current and future expectations. Mortality rate hypothesis is displayed in 100 percent of Life Table of China's Life Insurance Industry.

Disease incidence rate hypothesis is determined according to the previous disease incidence rate data of the Group and evaluation of current and future expectations.

Risk margin is also considered by the Group when determining mortality rate and disease incidence rate.

(4) Surrender rate

Surrender rate hypothesis is determined based on the Group's product features, previous surrender rate data together with considering risk margin, and estimation of current and future expectations based on current information that can be obtained on the balance sheet date. Surrender rate hypothesis is determined respectively according to pricing level, product type and marketing channel.

(5) Expense ratio

Unit cost hypothesis is determined based on analysis of actual experience and future expectation together with considering risk margin, also, future expected inflation for unit maintenance expenses is considered.

(6) Sensitivity analysis

Assuming that other hypotheses adopted the Group when measuring insurance contract reserve remain the same, then reasonable changes possible for following hypotheses would have the below influence on current period profit or loss: (unit: RMB 1,000 yuan)

Hypothesis factor	Changes	2014	2013
		Effect on the pretax profit	Effect on the pretax profit
Mortality rate and major disease incidence rate	10%	-3,441	3,064
	-10%	3,313	-2,972
Surrender rate	10%	26,475	-23,544
	-10%	-29,902	26,765
Renewal term expense rate	10%	-9,872	8,826
	-10%	9,872	-8,826
Discount rate	+50bp	51,640	-37,890
	-50bp	-58,936	43,297

(II) Financial instrument risk

1. Market Risks

Market risks refer to possibility in the change of fair value of financial instruments caused by floating exchange rate (foreign currency risk), market interest rate (interest rate risk) and market price (price risk), no matter the price change is the result of individual instrument or its issuer's specific factors or factors that influencing all the instruments transacted on the market.

The Group implements the following policies and procedure to alleviate possible market risks:1) The methods for evaluating and determined combining factors of market risks faced by the Group is described in the risk management policy of the Group. The compliance with policies will be monitored and any leakage or violations will be reported to the Risk Management Committee. The management of the Group will regularly review the risk management policies so as to ensure that the changes in risk environment can be reflected.2) Establishing matching guidelines for asset allotment and investment portfolio to insure that asset is sufficient to pay corresponding policy holder's liability, and provide income and profit meeting the expectation of the policy holder.

(1) Foreign currency risk

Foreign currency risk refers to possibility of loss caused by exchange rate change. Foreign currency risk tolerated by the Group is mainly connected with Yen, Euro and HKD. Except particular business is related to foreign currency, other major business of the Group is settled in RMB. On Dec. 31, 2014, except the assets listed in the below table are of foreign currency balance, all other assets and liabilities of the Group are of RMB balance. Foreign currency risk caused by such assets and liabilities of foreign currency balance might influence the operation performance of the Group.

Assets and liabilities of the Group at balance sheet date presented by major currencies are as follows:

As at December 31, 2014					
Items	HKD	JPY	EUR	USD	Total
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
Cash and bank balances	33,886,692			24,015,037	57,901,729
Time deposit	33,776,942			16,276,540	50,053,482

As at December 31, 2013					
Items	HKD	JPY	EUR	USD	Total
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
Cash and bank balances	109,371			1,496	110,867
Time deposit	32,976,418				32,976,418

As the Company exist significant risk exposure of USD foreign currency, the table below lists sensitivity analysis of monetary funds, monetary liabilities and estimated future cash flow (Monetary Unit: RMB Yuan). It calculates the influences of reasonable and possible exchange rate changes on profit before tax. Negative number means the decrease of profit before tax, while positive number means the increase of profit before tax. As the Group does not have any cash flow hedges or available-for-sale equity instruments in foreign currencies, exchange rate changes have no influence on equity.

USD	Current period cumulative	Preceding period cumulative
Changes in foreign currency rate %	+/-1%	+/-1%

Influences on profit before tax (RMB equivalent)	338,882/-338,882	330,873/-330,873

(2) Interest rate risk

Interest rate risk refers to the possibility of fluctuation in the value of financial instruments/future cash flow caused by market interest rate change.

Floating interest rate instrument would bring cash flow interest rate risk to the Group, while fixed interest rate instrument would bring fair value interest rate to the Group.

Interest rate risk policy of the Group points out that the Group should maintain appropriate fixed and floating interest rate instrument portfolio so as to manage interest rate risk. Relevant policies have set out regulations on the Group's management of interest accrual financial asset and interest accrual financial liability maturity. Floating interest rate instrument would be reevaluated less than a year generally. Interest rate for fixed interest rate instrument is regulated upon the initialization of relevant financial instruments, which would remain the same before maturity.

(3) Price risk

Price risk refers to the possibility in the change of fair value of financial instruments caused by market price change (excepted changes caused interest rate risk and foreign currency risk), no matter the price change is the result of individual instrument or its issuer's specific factors or factors that influencing all the instruments transacted on the market.

Investments held by the Group, classified in available-for-sale financial asset and held-for-trading financial assets, are measured with fair value on balance sheet date. Therefore, the Group tolerates the security market change risk. The Group adopts the method of holding combination of various equity securities to lower the price risk of equity security investment.

In addition, the Group holds investment property measured with fair value, so, investment property price change risk is possible for the Group.

2. Credit risk

Credit risk refers to the possibility of financial loss borne by on party caused by the failure to performance obligation by another party of the financial instrument.

On Dec. 31, 2014, credit risk exposure which might cause financial loss to the Group is mainly generated by the Group's financial asset loss caused by the other contract party's failure to perform its obligation and financial guarantee provided by the Group, including:

Book value of financial asset confirmed in the consolidated balance sheet; for financial instruments measured with fair value, its book value reflects its risk exposure, but not the maximum risk exposure, which would change in line with the future fair value.

In order to lower credit risk, the Group establishes a term to be in charge of determining credit level, authorizing credit, and taking other necessary monitoring procedures to ensure recovery of stale creditor's right. In addition, the Group reviews the recovery of each account receivable on each balance sheet date so as to ensure sufficient bad debt reserve is accrued to account that can be collected. Therefore, the Group management holds the opinion that credit risk tolerated by the Group has been decreased substantially.

Working fund of the Group is deposits in the bank with high credit level, which means low credit risk for working fund.

Debt investment of the Group includes government bonds, government and institution debt, enterprise debt and subordinated debt/bond. On December 31, 2014, the Group's enterprise bond excluding the ceased day bond (security code: 122083.SH with credit level of A+) have credit level of AA or above. On Dec. 31, 2014, 100% of the Group's subordinated debts/bonds have credit level of AA or above, or are issued by national commercial bank. Credit level of bond/debt is evaluated by domestic appraisal agencies with qualification on its issuance date.

On December 31, 2014, reinsurance businesses are allocated to Hannover Re (Bermuda) Ltd., Shanghai Office, Swiss Reinsurance Company, Beijing Office, Munich Re Ltd., Beijing Office, China Life Reinsurance Co., Ltd. and other large-scale reinsurance companies with good reputation. The Group believes that these reinsurance companies have high credit in China, and that credit risk related to reinsurance asset would not have significant influences on the Financial Statement of the Group as of December 31, 2014.

3. Liquidity risk

Liquidity risk refers to the possibility that enterprise fails to finance enough funds to pay debts related to financial instruments. Liquidity risk may be caused by failure to sell financial asset with fair value in time; or failure of other party to pay due contract debt; or failure of generation of expected cash flow.

The Groups allows the surrender, reduction and advance rescission of policy by other methods, which bring the Group with potential liquidity risk. By matching the investment asset term with the corresponding insurance liability term, the Group would be able to control liquidity risk and performance its payment responsibility, and provide fund for the Group's debit and investment business in time.

The Group implements the following policies and procedure to alleviate possible liquidity risks: 1) Methods for evaluating and determined combining factors of liquidity risk faced by the Group are described in the liquidity risk policy of the Group. The compliance with policies will be monitored and any leakage or violations will be reported to the Risk Management Committee. The management of the Group will regularly review the risk management policies so as to ensure that the changes in risk environment can be reflected.2) Establish guidelines for asset allotment, investment portfolio setting, and asset maturity combination to ensure the company holds sufficient fund to pay contract debt.

Undiscounted cash flow of the Group's major financial asset, financial liabilities and insurance liabilities is showed in the following table:

December 31, 2014	Book value	Maturity unidentified	Contract and estimated cash inflow (Less: outflow) (non-discounting)			
			Within 1 year	1-3 years	3-5 years	Over 5 years
Debt investments	24,335,502,301		369,974,556	3,370,857,713	5,491,803,424	15,102,866,608
Equity investments	3,431,941,367	3,431,941,367				
Reverse repo financial assets	36,000,000		36,000,000			
Time deposit	5,956,153,482		91,653,481.77	12,500,000	4,710,000,000	1,142,000,000
Investments in forms of receivables	9,268,200,000		200,000,000	1,540,000,000	1,998,200,000	5,530,000,000
Refundable capital guarantee deposits	582,554,000			315,958,920	266,595,080	
Policy holder pledge loans	498,790,323		498,790,323			
Debt plan investments	1,821,352,093		120,014,541	481,337,552	670,000,000	550,000,000
Interest receivable	1,006,201,965		1,006,201,965			
Premium receivable	161,165,538		161,165,538			
Reinsurance premium receivable	1,548,826,001		1,543,147,166	5,678,835		
Cash and cash equivalents	2,318,129,569		2,318,129,569			
Subtotal of financial assets	50,964,816,639	3,431,941,367	6,345,077,140	5,726,333,020	13,136,598,504	22,324,866,608
Repo financial assets	5,641,409,778		-5,641,409,778			
Subordinated debt	1,100,000,000				-1,100,000,000	
Policy holder deposits and investment funds	13,701,621,568	-3,054,357,685	-6,915,171	-3,709,603	-5,680,630	-10,630,958,479
Indemnity accounts payable	1,239,011,957		-1,239,011,957			
Reinsured accounts payable	14,320,247,907	-12,847,992,610	-1,472,255,297			
Policy dividends payable	775,153,869		-775,153,869			
Handling fees and commissions payable	46,124,391		-46,124,391			
Subtotal of financial liabilities	36,823,569,470	-15,902,350,295	-9,180,870,463	-3,709,603	-1,105,680,630	-10,630,958,479

(III) Fair value

Fair value of financial assets and liability is recognized according to the following methods:1) Fair value of financial assets and liability with standard provisions and active market should be recognized as per current offer and charge in corresponding active market;2) Fair value of other financial assets and liability (not including derivatives) should be recognized in accordance with general pricing model which is based on discounted future cash flow or observable market transaction price.

Management in the Group thinks book value of financial assets and liability that are measured as per amortized cost in the financial statement is approximate to fair value of those financial assets and liabilities.

For financial assets and liability that are to be measured subsequently by fair value, the three levels in measurement of fair value are as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (from the price) or indirectly (calculated based on the price);

Level 3: input of financial assets and liability based on variables other than observable market data (unobservable input).

Items	As at December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Bond investments	147,878,800	143,135,020		291,013,820
Equity instrument investments	1,800,619,027			1,800,619,027
Available-for-sale financial assets:				
Bond investments	851,524,758	4,430,880,740		5,282,405,498
Equity instrument investments	982,331,996			982,331,996
Investment property:			8,634,259,700	8,634,259,700
Independent account:				
Financial assets at fair value through profit or loss:				
Bond investments	29,064,364			29,064,364
Equity instrument investments	11,303,190			11,303,190
Total	3,822,722,135	4,574,015,760	8,634,259,700	17,030,997,595

Items	As at December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Bond investments	458,740,278	136,973,760		595,714,038
Equity instrument investments	902,155,085			902,155,085
Available-for-sale financial assets:				

Bond investments	28,114,869	1,283,873,420		1,311,988,289
Equity instrument investments	203,975,117			203,975,117
Investment property:			8,092,650,767	8,092,650,767
Independent account:				
Financial assets at fair value through profit or loss:				
Bond investments	2,525,081			2,525,081
Equity instrument investments	9,419,067			9,419,067
Total	1,604,929,498	1,420,847,180	8,092,650,767	11,118,427,445

XI. Contingencies

1. In consideration of business nature of insurance and financial service, the Group will be involved in various evaluations, contingencies and lawsuits in normal operation, including acting as a defendant or plaintiff in legal action and an applicant or respondent in arbitration. Negative effects resulted from the above disputes mainly include the claims for insurance policy and other issues. The Group has made accrual reserves for possible losses, including reserves accrued for claims (such as policies) after reasonable assessment made by the management to the above action results with reference to opinions from lawyer.

For any pending action with no reasonable estimate for the result or small possibility of lawsuit loss considered by the management, no relevant reserves will be accrued. For those pending action, the management believes that obligations of the final award will not bring material negative effect upon financial situation and business performance of the Group and its subsidiaries.

2. Pending lawsuit

Pursuant to the Consigned Asset Management Contract numbered Union Asset 2014 Special Account No. 92 entered into among China Guangfa Bank, Beijing Branch ("CGB, Beijing Branch") as the consignor, China Guangfa Bank as the trustee, and Union Assets Management Co., Ltd. as the manager, Union Assets Management Co., Ltd. received investment order from CGB, Beijing Branch on May 27, 2014 to invest the consigned asset of 300 million yuan in Bank of Jiangsu, Nanjing Xiaguan Sub-branch in terms of one-year time deposit with annual interest rate of 3%.

Pursuant to the consigned asset management and trust contract numbered Union Asset 2014 Special Account No. 82 entered into among Bank of Jiangsu as the consignor, Postal Savings Bank of China (PSBC) as the trustee, and Union Assets Management Co., Ltd. as the manager, Union Assets Management Co., Ltd. received investment order from Bank of Jiangsu on May 27, 2014 to invest the consigned asset of 300 million yuan in Bank of Tianjin, Ji'nan Branch in terms of one-year time deposit with annual interest rate of 3.3%.

In November 2014, Economy Criminal Detection Division of Ji'nan Municipal Public Security Bureau ("ECDDJMPSB") informed Union Assets Management Co., Ltd. that the consigned one-year time deposit of Bank of Jiangsu in Bank of Tianjin, Ji'nan Branch was withdrew by natural persons 张承康(Zhang Chengkang) and others illegally. ECDDJMPSB has filed the case under the name of "Forging and Altering Financial Notes by Natural Persons 张承康(Zhang Chengkang) and Others".

In December 2014, Bank of Jiangsu, after learning the news about the illegal withdraw of its 300 million yuan in Bank of Tianjin, Ji'nan Branch, applied to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration towards Union Assets Management Co., Ltd., and required Union Assets Management Co., Ltd. to repay the consigned assets of 300 million yuan and investment income thereof in amount of 558,250.00 yuan, a total of 300,558,250.00 yuan; and applied to Nanjing Municipal Intermediate People's Court for property preservation, which resulted to the freeze of 300 million yuan consigned by CGB, Beijing Branch in Bank of Jiangsu, Nanjing Xiaguan Sub-branch, with a term from December 17, 2014 to June 16, 2015. Union Assets Management Co., Ltd. has filed Property Preservation Disagreement to Nanjing Municipal Intermediate People's Court, and attended property preservation talks on February 4, 2015. Currently, the frozen property has not been unfrozen.

On January 14, 2015, CGB, Beijing Branch as the plaintiff sued Union Assets Management Co., Ltd. in Beijing Municipal First Intermediate People's Court for the above mentioned dispute and required to cancel the Consigned Asset Management Contract numbered Union Asset 2014 Special Account No. 92, and required Union Assets Management Co., Ltd. to repay the consigned assets of 300 million yuan as well as compensation of 9 million yuan, a total of 309 million yuan.

On January 30, 2015, Union Assets Management Co., Ltd. filed criminal charges against Bank of Tianjin, Ji'nan Branch and its employee 张承康(Zhang Chengkang) and applied Ji'nan Municipal Public Security Bureau to investigate the capital, check and detain involving capital and property to save the company's economic loss and applied for criminal liabilities against the defendant.

As of April 10, 2015, ECDDJMPSB has not officially issued investigation report, and the aforementioned arbitration and lawsuit have not started. Based on the opinions of Beijing Jindu Legal Firm, law firm of the aforementioned cases, there is little possibility of loss in the principal of 300 million yuan, and the final results are subject to legal documents of competent authorities.

XII. Commitments

(I) Capital commitment

Capital commitment of the Group and the Company are:

Commitments	Closing balance	Opening balance
Signed but not accrued in the account	3,992,189	1,894,161

(II) Commitment of operating lease

As of the balance sheet date, irrevocable operating lease contracts the Group and the Company signed are as follows:

Minimum lease payment of irrevocable operating lease	Closing balance	Opening balance
The first year after the balance sheet date	106,580,493	116,451,436
The second year after the balance sheet date	57,633,203	78,380,979
The third year after the balance sheet date	24,809,061	32,297,428
The following years	7,629,448	21,739,935
Total	196,652,205	248,869,778

XIII. Other important matters

(I) As of December 31, 2014, the Group held investment property with cost of 3,524,916,700.00 yuan. The Group adopts fair value in measuring the value of investment property. Canwin CPVs Ltd. by setting December 31, 2014 as the benchmark date, assessed the value of the aforementioned investment property based on market method and assumed development method. As of December 31, 2014, the Group based on the assessed results has recognized cumulative changes in fair value of 5,109,343,000 yuan, of which 137,962,600.00 yuan was included in profit or loss of 2014.

(II) Pursuant to Agreement of Cooperation between the Company and 合众时代（北京）会议服务有限公司(Union Times (Beijing) Conference Service Co., Ltd.*) (one-person limited liability company established by the trade union committee of the Company, hereinafter referred as the "Union Times"), the Company consigned daily operations and property maintenance of Conference center for eight divisions (the "Training Center") to the Union Times, who would provide services such as holding meeting and organizing activities to the Company. Expenses arising from water, electricity, fuel, pollution and heating etc. are covered by the Company. Incomes from outside businesses of guest rooms and meeting rooms are agreed to be paid for expenses incurred during the process of daily operation, which include labor costs, low-value consumables, daily maintenance fees and other expenses relating to operation and management. Income surplus should be returned to the Company. Meanwhile, the Company consigned daily operations and management to 北京首旅建国酒店管理(BTG-Jianguo Hotels & Resorts*).

** The English names are for identification purpose only.*

(III) Pursuant to the resolution of the 2nd extraordinary general meeting of 2014 dated January 28, 2014, the Company deliberated and passed the Bill on Equity Transfer of Intesa Sanpaolo Vita S.P.A., which approved Intesa Sanpaolo Vita S.P.A. to transfer 553,772,605.00 shares of the Company it held to Zhongfa Industry (Group) Co., Ltd. The resolution has been approved by CIRC with document of approval numbered Bao Jian Xu Ke [2014] 556. As of April 10, 2015, changes have not been registered at authorities.

(IV) Pursuant to the resolution of the 10th extraordinary general meeting of 2014 dated November 5, 2014, the Company deliberated and passed the Bill on Increasing Registered Capital of Union Life Insurance Co., Ltd., which approved the Company to offer 120 million shares to existing shareholders at the price of 5 yuan per share, and a total of 600 million yuan was raised. After the capital increase, the Company's total share capital has been increased from 2.90777 billion shares to 3.02777 billion shares, and its registered capital has been increased from 2.90777 billion yuan to 3.02777 billion yuan by the means of cash. During this capital increase, Zhongfa Industry (Group) Co., Ltd. increased by 85.56 million shares to 667.114 million shares, accounting for 22.03% of the total shares; Simaite Investment Co., Ltd. increased by 500,000 shares to 572,352,886 shares, accounting for 18.90% of the total shares; Hubei Chuhan Trade Co., Ltd. increased by 16,000,000 shares to 450,387,406 shares, accounting for 14.88% of the total shares; Hubei Defan Investment Co., Ltd. increased by 17,940,000 shares to 452,571,451 shares, accounting for 14.95% of the total shares. As of November 26, 2014, all the above capital has been paid in. The resolution has also approved that pursuant to the Bill on Equity Transfer of Intesa Sanpaolo Vita S.P.A. deliberated and passed by the 2nd extraordinary general meeting of 2014, in case that Intesa Sanpaolo Vita S.P.A. failed in equity transfer, it has the right to increase capital at the price of 5 yuan per share, and the capital contribution required is corresponding with holding proportion of 19.90%. As of the balance sheet date, the aforementioned matters have not been approved by CIRC and it has material uncertainty.

XIV. Comparative data

Certain comparative data have been reclassified according to the disclosure method stipulated in current financial statements.

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April 10, 2015

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