



Report of the Board of Directors

The directors present the annual report and the audited consolidated financial statements of the Company and its subsidiary (the "Group") for the year ended December 31, 2003.

1. Principal business and results

The Company is the leading life insurance company in China's life insurance market. Its individual and group life insurance policies, annuity products, and long-term health insurance policies are sold through the most extensive distribution network in China, which includes exclusive agents, direct sales representatives and dedicated and non-dedicated agencies. The Company also provides individual and group accident and short-term health insurance policies. In addition, the Company became China's largest insurance asset management company through its controlling shareholding in AMC, as well as one of the largest institutional investors in China. The analysis of operations by business segments during the year is set out in note 3 to the accounts.

2. Results and allocation

The results of the Group for the year are set out in the Company's consolidated profit and loss account on page 71.

3. Reserves

Details of the reserves of the Group are set out in note 25 to the financial statements.

4. Charitable donations

The total amount of charitable donations of the Group for the year was RMB34,418,000.

5. Fixed assets

Details of the movement in fixed assets of the Group are set out in note 8 to the financial statements.

6. Share capital

Details of the movement in share capital of the Company are set out in note 24 to the financial statements.

7. Bank borrowings

As at December 31, 2003, the Group did not have any bank borrowings.

8. Purchase, sales or redemption of the Company's shares

During the reporting period, the Company and its subsidiaries have not purchased, sold or redeemed any of the Company's securities.



9. Share options

As part of the incentive scheme, the Company grants stock appreciation rights to members of the senior management. The issuance of stock appreciation rights does not involve any issuance of new shares, nor does it have any dilutive effect on the shareholders. Stock appreciation rights are expected to be granted to approximately 100 members of the senior management, including members of the Board of Directors and the Supervisory Committee (excluding independent non-executive Directors), the president, vice-president, heads of key departments of the headquarters, general managers and certain deputy general managers of the principal branches, as well as senior professionals and technicians in key positions.

10. Directors

Brief introductions of Directors of the Company are set out on page 55.

11. Biographical details of Directors and members of the senior management

Brief introductions of Directors and members of the senior management of the Company are set out from page 55 to page 57.

12. Directors' and Supervisors' service contracts

Long Yongtu and Chau Tak Hay, independent non-executive Directors of the Company, entered into independent non-executive Directors' service contracts with the Company on February 6, 2004 in Beijing respectively.

The term of appointment of independent non-executive Directors is three years, commencing from the date of the general meeting (i.e. August 18, 2003) on which resolutions were passed for their appointment as independent non-executive Directors of the Company's Board of Directors. Upon the expiration of the term and with the consent of both parties, independent non-executive Directors may be re-appointed. However, the term of re-appointment shall not exceed six years.

Save as mentioned above, none of the other Directors or Supervisors of the Company has entered into any service contract with the Company or its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

13. Directors' and Supervisors' interests in material contracts

None of the Directors or Supervisors had any individual beneficial interest, directly or indirectly, in any material contracts entered into by the Company or any of its subsidiaries at any time during the reporting period.



Report of the Board of Directors

14. Directors' and Supervisors' rights to acquire shares

At no time during the reporting period had the Company authorized its Directors, Supervisors or their respective spouses or children under the age of 18 to benefit by means of the acquisition of shares or debentures of the Company or any of its other associated corporations, and no such rights for the acquisition of shares or debentures were exercised by them.

15. Directors' and Supervisors' interests in shares

During the reporting period, none of the Directors or Supervisors had any interests in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Chapter 571 of the Laws of Hong Kong (the "SFO")) that were required to be recorded in the register of the Company required to be kept pursuant to Section 352 of the SFO or which had to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

16. Dividend

The Company has stated in the Prospectus to the shareholders that no dividend will be distributed for the year.

17. Pre-emptive rights and arrangements on options of shares

According to the Articles of Association of the Company and the relevant PRC laws, there is no provision for any pre-emptive rights of the shareholders of the Company. At present, the Company does not have any arrangement on the options of shares.



18. Substantial shareholders and persons who have an interest or short position discloseable under Divisions 2 and 3 of Part XV of the SFO

As at December 31, 2003, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Substantial Shareholder	Capacity	Long Positions No. of Domestic Shares	Percentage of total number of Domestic Shares in issue
China Life Insurance (Group) Company	Beneficial owner	19,323,530,000	100%

Name of Substantial Shareholders	Capacity	Long Positions No. of H Shares	Percentage of total number of H Shares in issue
Li Ka-shing <i>(Note 1)</i>	Founder of discretionary trusts & interest of controlled corporations	428,358,620	5.76%
Li Ka-Shing Unity Trustee Company Limited <i>(Note 1)</i>	Trustee	428,358,620	5.76%
Li Ka-Shing Unity Trustee Corporation Limited <i>(Note 1)</i>	Trustee & beneficiary of trust	428,358,620	5.76%
Li Ka-Shing Unity Trustcorp Limited <i>(Note 1)</i>	Trustee & beneficiary of trust	428,358,620	5.76%
Cheung Kong (Holdings) Limited <i>(Note 1)</i>	Interest of controlled corporations	428,358,620	5.76%
Lee Shau Kee <i>(Note 2)</i>	Founder of discretionary trusts & interest of controlled corporations	428,358,620	5.76%
Rimmer (Cayman) Limited <i>(Note 2)</i>	Trustee	428,358,620	5.76%
Riddick (Cayman) Limited <i>(Note 2)</i>	Trustee	428,358,620	5.76%
Hopkins (Cayman) Limited <i>(Note 2)</i>	Interest of controlled corporations	428,358,620	5.76%
Henderson Development Limited <i>(Note 2)</i>	Interest of controlled corporations	428,358,620	5.76%
Richbo Investment Limited <i>(Note 2)</i>	Beneficial owner	428,358,620	5.76%
J.P. Morgan Chase & Co. <i>(Note 3)</i>	Investment manager, custodian and asset proprietor	387,622,716	5.21%



Report of the Board of Directors

Note 1:

These references to 428,358,620 H Shares relate to the same block of shares in the Company.

These 428,358,620 H Shares are held by Mitcham Resources Limited ("Mitcham") and Hutchison International Limited ("HIL") in the following proportion:

Name of Corporation	No. of H Shares
HIL	214,179,310
Mitcham	214,179,310

HIL is a wholly-owned subsidiary of Hutchison Whampoa Limited ("HWL"). Certain subsidiaries of Cheung Kong (Holdings) Limited ("CKH") in turn together hold one-third or more of the issued share capital of HWL.

Mitcham is a wholly-owned subsidiary of Cheung Kong Investment Company Limited which in turn is a wholly owned subsidiary of CKH.

Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital, owns the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited ("TUT1"). TUT1 as trustee of The Li Ka-Shing Unity Trust, together with certain companies which TUT1 as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of CKH.

In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 holds units in The Li Ka-Shing Unity Trust.

By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TUT1, TDT1, TDT2 and CKH is deemed to be interested in the 214,179,310 H Shares of the Company and another 214,179,310 H Shares of the Company held by HIL and Mitcham respectively.

Note 2:

These references to 428,358,620 H Shares relate to the same block of shares in the Company.

These 428,358,620 H Shares are held by Richbo Investment Limited ("Richbo"), an indirect wholly-owned subsidiary of Henderson Development Limited ("HDL"). Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owns all the issued ordinary shares of HDL. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustee of respective discretionary trusts, hold units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick are owned by Mr. Lee Shau Kee. Accordingly, each of Mr. Lee Shau Kee, HDL, Hopkins, Rimmer, Riddick, and Richbo is taken to have an interest in these 428,358,620 H Shares under the SFO.

Note 3:

Of these shares, 223,642,850 H Shares, 108,903,000 H Shares, 37,690,266 H Shares, 9,614,920 H Shares, 3,974,000 H Shares, 1,446,680 H Shares, 1,276,000 H Shares, and 1,075,000 H Shares are respectively held by JPMorgan Chase Bank, JF Asset Management Limited, J.P. Morgan Fleming Asset Management (UK) Limited, J.P. Morgan Investment Management Inc., J.P. Morgan Whitefriars Inc., J.P. Morgan Investment Management Limited, JF Asset Management (Singapore) Limited, and JF International Management Inc., all of which are either controlled or indirect controlled subsidiaries of J.P. Morgan Chase & Co.

Included in the 387,622,716 H Shares are 221,778,450 H Shares (2.98%) which are the lending pool under section 5(4) of the Securities and Futures (Securities Borrowing and Lending) Rules.

Save as disclosed above, the Company is not aware of any other person having any interests or short positions (other than the Directors, Supervisors and chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.



19. Information of tax deduction

As CLIC retained the accumulated tax loss for previous years, the provision for tax does not reflect the benefits of such losses. Through the restructuring the Company has already received confirmation from the Ministry of Finance and the State Administration of Taxation that certain items can be deducted from the calculation of taxable income of the Company for the year 2003. Previously, such deduction has no impact on the taxable and net income of the Company.

Items for tax deduction:

Gross wages before tax – RMB2,782 million

Interest income from Government bonds – RMB457.776 million

Dividend income of funds – RMB98.038 million

20. Management contracts

No management contracts for the entire or principal businesses of the Company were entered into or existed during the year.

21. Connected transactions

Details of the connected transactions of the Company are set out in the section of “Connected Transactions” and note 23 to the financial statements.

22. Remuneration of the Directors and members of the senior management

Details of the remuneration of the Directors and members of the senior management are set out in note 29 to the financial statements.



Report of the Board of Directors

23. Board Committees

The Company has established Audit Committee, Remuneration Committee, Risk Management Committee and Strategic Committee.

The Audit Committee was established in accordance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The Audit Committee is responsible for the review and supervision of the Company's financial reporting procedures and internal control system. The Audit Committee is currently comprised of Wu Yan, Long Yongtu and Chau Tak Hay.

The Remuneration Committee was establishment in accordance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The Remuneration Committee is mainly responsible for the formulation of training and remuneration policy for the senior management of the Company and the administration of the remuneration system of the senior management of the Company. The Remuneration Committee is currently comprised of Miao Fuchun, Long Yongtu and Chau Tak Hay.

The Risk Management Committee is mainly responsible for assisting the management to manage the internal and external risks. The Risk Management Committee is currently comprised of Wang Xianzhang, Miao Fuchun, and Wu Yan.

The Strategic Committee is mainly responsible for the formulation of the overall development plan and decision-making procedures of investment. The Strategic Committee is currently comprised of Wang Xianzhang, Miao Fuchun, and Wu Yan.

24. Budget control and report

For the year ended December 31, 2003, the Group's forecast loss after taxation and minority interests but before extraordinary items was less than RMB1,985 million, while the actual figure was RMB1,494 million. The pro forma profit for the nine months ended September 30, 2003 and the forecast profit for the three months ending December 31, 2003 relating to the Transferred Policies was not less than RMB5,323 million, while the actual figure was RMB5,857 million. The actual figure exceeds the forecast.

25. Material litigation

On or about March 16, 2004 a complaint was filed in the United States District Court for the Southern District of New York alleging violations of the U.S. Securities Exchange Act of 1934 by the Company and certain of its officers and directors in connection with failure to fully disclose the audit review by the CNAO of CLIC. Three additional similar complaints have subsequently been filed against these same defendants. The complaints seek to recover damages on behalf of a purported class of persons who purchased the Company's publicly traded securities between December 22, 2003 and February 3, 2004. Each complaint seeks an award of damages in an unspecified amount, plus expert and attorneys' fees. As of the date hereof, none of the four complaints has yet been served and, accordingly, the Company's time to respond thereto has not yet begun to run. In connection with these complaints, the Company has engaged U.S. counsel to contest the complaints vigorously on behalf of the Company.



26. Compliance with the Code of Best Practice of the Listing Rules

The Directors confirmed that the Company was in compliance with the Code of Best Practice of Appendix 14 of the Listing Rules throughout the period from December 18, 2003 (the listing date of the Company) to December 31, 2003.

27. Auditors

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company were the international and PRC auditors to the Company respectively for the year ended December 31, 2003. A resolution for the re-appointment of PricewaterhouseCoopers as the international auditors and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the PRC auditors to the Company will be proposed at the forthcoming Annual General Meeting on June 18, 2004.

By Order of the Board

Wang Xianzhang

Chairman

Beijing, China

April 23, 2004