



Unaudited Pro Forma Consolidated Profit and Loss Data

The unaudited pro forma consolidated profit and loss for the year ended December 31, 2003 and 2002 has been prepared in accordance with H.K. GAAP and gives effect to the restructuring, as if it had occurred at the start of the year ended December 31, 2003 and 2002, respectively.

The unaudited pro forma consolidated financial information is provided for illustrative purposes only and does not necessarily represent what our consolidated financial results actually would have been if the restructuring had in fact occurred on those dates and is not necessarily representative of our financial results for any future periods. The notes to the pro forma consolidated financial data contain a more detailed discussion of how the adjustments described above are presented. The unaudited pro forma consolidated financial information should be read in connection with “Management Discussion and Analysis” in the Annual Report and the historical consolidated financial statements and accompanying notes of China Life.

Upon the approval of the State Council and the CIRC, we were formed on June 30, 2003 in connection with the restructuring by CLIC. The restructuring was effected through a plan of restructuring, which was approved by the CIRC on August 21, 2003, and a restructuring agreement we entered into with CLIC on September 30, 2003, with retroactive effect to June 30, 2003. Pursuant to PRC law and the restructuring agreement, the transferred policies were transferred to us as of June 30, 2003; however, for accounting purposes the restructuring is treated as having occurred on September 30, 2003.

Under PRC law and the restructuring agreement, the restructuring was effective as of June 30, 2003, which we refer to in this annual report as the effective date. In connection with the restructuring:

- CLIC transferred to us (1) all long-term insurance policies (policies having a term of more than one year from the date of issuance) issued on or after June 10, 1999, having policy terms approved by or filed with the CIRC on or after June 10, 1999, and either (i) recorded as a long-term insurance policy as of June 30, 2003 in a database attached to the restructuring agreement as an annex or (ii) having policy terms for group supplemental medical insurance (fund type), (2) stand-alone short-term policies (policies having a term of one year or less from the date of issuance) issued on or after June 10, 1999 and (3) all riders supplemental to the policies described in clauses (1) and (2) above, together with the reinsurance contracts specified in an annex to the restructuring agreement. We refer to these policies in this annual report as the “transferred policies”. All other insurance policies were retained by CLIC. We refer to these policies as the “non-transferred policies”. We assumed all its obligations and liabilities of CLIC under the transferred policies. CLIC continues to be responsible for its liabilities and obligations under the non-transferred policies following the effective date.
- CLIC’s assets as of June 30, 2003 were divided between China Life and CLIC in accordance with the restructuring agreement entered into between CLIC and ourselves in connection with the restructuring. Premiums receivable were allocated to the transferred and non-transferred policies based on the specific policies to which they relate. Property, plant and equipment and other operating assets were allocated based on the terms of the restructuring agreement. Investments in respect of participating policies were allocated to the transferred policies, since all participating business has been transferred. Unlisted equity securities and investment properties were allocated to CLIC. The remaining investment assets, including term deposits, fixed maturity securities, equity



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securities, repurchase agreements and cash and cash equivalents, were allocated so as to ensure that the book value of China Life as of June 30, 2003 was RMB29,608 million, as determined under PRC valuation regulations. This was equivalent to RMB36,182 million as determined under H.K. GAAP, due to differences between PRC GAAP and H.K. GAAP. The proportions of each of these classes of assets allocated to CLIC and ourselves were similar.

- CLIC agreed not to, directly or indirectly through its subsidiaries and affiliates, participate, operate or engage in life, accident or health insurance businesses and any other business in China which may compete with our insurance business. CLIC also undertook (1) to refer to us any corporate business opportunity that falls within our business scope and which may directly or indirectly compete with our business and (2) to grant us a right of first refusal, on the same terms and conditions, to purchase any new business developed by CLIC.
- Substantially all of the management personnel and employees who were employed by CLIC in connection with the transferred assets and businesses were transferred to us. Some management and personnel remained with CLIC.
- CLIC retained the trademarks used in our business, including the “China Life” name and “ball” logo and granted us and our branches a royalty-free license to use these trademarks. CLIC and its subsidiaries and affiliates will be entitled to use these trademarks, but CLIC may not license or transfer these trademarks to other third parties.
- CLIC’s contracts with its agents and other intermediaries were transferred to us.
- We entered into various agreements under which we provide policy administration services to CLIC for the non-transferred policies, manage CLIC’s investment assets and lease office space from CLIC for our branch and field offices.



	For the year ended December 31, 2003			
	Historical RMB million	Adjustments RMB million	Note	Pro Forma RMB million
Pro Forma Consolidated Profit and Loss Accounts Data				
H.K. GAAP				
Revenues				
Gross written premiums and policy fees	69,334	(16,409)	(a)	52,925
Less: premiums ceded to reinsurers	(1,571)	-	(a)	(1,571)
Net written premiums and policy fees	67,763	(16,409)	(a)	51,354
Net change in unearned premium reserves	(547)	-	(a)	(547)
Net premiums earned and policy fees	67,216	(16,409)	(a)	50,807
Net investment income	9,825	(3,035)	(b)	6,790
Net realized gains/(losses) on investments	868	(269)	(b)	599
Net unrealised gains on trading securities	247	7	(b)	254
Other income	727	1,265		1,992
		(54)	(k)	
		1,284	(c)	
		35	(d)	
Total revenues	78,883	(18,441)		60,442



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	For the year ended December 31, 2003			Pro Forma RMB million
	Historical RMB million	Adjustments RMB million	Note	
Benefits, claims and expenses				
Insurance benefits and claims				
Life insurance death and other benefits	(8,570)	4,752	(e)	(3,818)
Accident and health claims and claim adjustment expenses	(4,882)	-	(e)	(4,882)
Increase in future life policyholder benefits	(43,084)	16,571	(f)	(26,513)
Policyholder dividends and participation in profits	(1,207)	-	(e)	(1,207)
Amortization of deferred policy acquisition costs	(5,023)	-		(5,023)
Underwriting and policy acquisition costs	(1,294)	472	(g)	(822)
Administrative expenses	(6,862)	536		(6,326)
		65	(k)	
		208	(i)	
		327	(h)	
		(64)	(j)	
Other operating expenses	(872)	505	(k)	(367)
Interest expense on bank borrowings	(7)	7	(k)	-
Interest credited to policyholder contract deposits	(7,260)	4,340	(e)	(2,920)
Statutory insurance levy	(85)	-		(85)
Total benefits, claims and expenses	(79,146)	27,183		(51,963)
Profit/(loss) before income tax expense and minority interest	(263)	8,742		8,479
Income tax expense	(1,180)	(1,402)	(l)	(2,582)
Profit/(loss) before minority interests	(1,443)	7,340		5,897
Minority interests	15	(15)	(k)	-
		(40)	(m)	(40)
Net profit/(loss)	(1,428)	7,285		5,857



	For the year ended December 31, 2002			Pro Forma RMB million
	Historical RMB million	Adjustments RMB million	Note	
Pro Forma Consolidated Profit and Loss Accounts Data				
H.K. GAAP				
Revenues				
Gross written premiums and policy fees	68,769	(21,692)	(a)	47,077
Less: premiums ceded to reinsurers	(1,869)	4	(a)	(1,865)
Net written premiums and policy fees	66,900	(21,688)	(a)	45,212
Net change in unearned premium reserves	(476)	12	(a)	(464)
Net premiums earned and policy fees	66,424	(21,676)	(a)	44,748
Net investment income	8,347	(4,001)	(b)	4,346
Net realized gains/(losses) on investments	266	(126)	(b)	140
Net unrealised gains/(losses) on trading securities	(1,067)	507	(b)	(560)
Other income	338	1,728		2,066
		(106)	(k)	
		1,792	(c)	
		42	(d)	
Total revenues	74,308	(23,568)		50,740



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	For the year ended December 31, 2002			
	Historical RMB million	Adjustments RMB million	Note	Pro Forma RMB million
Benefits, claims and expenses				
Insurance benefits and claims				
Life insurance death and other benefits	(7,010)	4,702	(e)	(2,308)
Accident and health claims and claim adjustment expenses	(4,053)	–	(e)	(4,053)
Increase in future life policyholder benefits	(45,374)	20,455	(f)	(24,919)
Policyholder dividends and participation in profits	(641)	3	(e)	(638)
Amortisation of deferred policy acquisition costs	(3,832)	–		(3,832)
Underwriting and policy acquisition costs	(1,661)	1,106	(g)	(555)
Administrative expenses	(6,162)	256		(5,906)
		20	(k)	
		35	(i)	
		328	(h)	
		(127)	(j)	
Other operating expenses	(634)	204	(k)	(430)
Interest expense on bank borrowings	(7)	7	(k)	–
Interest credited to policyholder contract deposits	(7,095)	5,527	(e)	(1,568)
Statutory insurance levy	(73)	–		(73)
Total benefits, claims and expenses	(76,542)	32,260		(44,282)
Profit/(loss) before income tax expense and minority interest	(2,234)	8,692		6,458
Income tax expense	(14)	(1,890)	(l)	(1,904)
Profit/(loss) before minority interests	(2,248)	6,802		4,554
Minority interests	(2)	2	(k)	–
		(30)	(m)	(30)
Net profit/(loss)	(2,250)	6,774		4,524



NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA

Pro Forma Consolidated Profit and Loss Accounts Data

- (a) Reflects the exclusion of amounts attributable to the non-transferred policies from the pro forma consolidated profit and loss accounts data.
- (b) Income from investment properties and investments in associates retained by CLIC in the restructuring has been excluded from net investment income in the pro forma profit and loss accounts data. Other investment income, including interest income and dividends, realized gains and losses and unrealised gains and losses from investments held for trading attributable to investments retained by CLIC in the restructuring, has also been excluded. Cash and investment assets were divided between CLIC and China Life based on a mechanism set forth in the restructuring agreement entered into between CLIC and China Life in connection with the restructuring. Average cash and investment assets retained by CLIC for the nine months ended September 30, 2003 have been determined as if the restructuring had occurred on January 1, 2003. Average cash and investment assets retained by CLIC for the year ended December 31, 2002 have been determined as if the restructuring had occurred on January 1, 2002. China Life's pro forma owners' equity on January 1, 2003 or 2002 was equivalent to the amount agreed to by CLIC and China Life in the restructuring, and sufficient investments were assumed to be retained by CLIC to result in pro forma equity of this amount. The adjustment for investment income on these investments has been determined on the basis of the percentage of investment return on all of CLIC's cash and investment assets for the nine months ended September 30, 2003 or the year ended December 31, 2002 for the pro forma consolidated profit and loss accounts data for the year ended December 31, 2003 or 2002, respectively.
- (c) Reflects service fees to be paid by CLIC to China Life for the administration of the non-transferred policies under a policy management agreement to be entered into between CLIC and China Life in connection with the restructuring. For each semi-annual period, the service fee is equal to the sum of:
 - (i) the number of in force non-transferred policies that were within their policy term as of the last day of the period, multiplied by RMB 8.0, with the number of policies in force for group insurance policies being equal to the number of individuals covered by the policies (excluding those whose policies have lapsed or matured), plus
 - (ii) 2.5% of the actual premiums and deposits in respect of such policies collected during the semi-annual period.

The adjustment for the service fees reflects the fees that would be paid under this agreement, as if the agreement had been in effect on January 1, 2003 or 2002 for the pro forma consolidated profit and loss accounts data for the year end December 31, 2003 or 2002, respectively.



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- (d) Reflects asset management fees to be paid by CLIC to the asset management joint venture for the management of investment assets retained by CLIC in the restructuring under an asset management agreement between CLIC and the asset management joint venture in connection with the restructuring. The adjustment for the asset management fees reflects the fees that would be paid under this agreement, as if the agreement had been in effect on January 1, 2003 or 2002 for the pro forma consolidated profit and loss accounts data for the year ended December 31, 2003 or 2002 respectively.
- (e) Reflects the exclusion of amounts attributable to the non-transferred policies.
- (f) Reflects the increase in future policyholder benefits attributable to the non-transferred policies.
- (g) Reflects the exclusion of underwriting and acquisition costs.
- (h) Reflects the exclusion of depreciation expense for the fixed assets retained by CLIC in the restructuring.
- (i) Reflects the exclusion of staff costs for employees and management remaining with CLIC in the restructuring.
- (j) Reflects rental expenses to be paid by China Life to CLIC for the lease of certain fixed assets from CLIC under a property leasing agreement to be entered into between China Life and CLIC in connection with the restructuring.
- (k) Reflects the exclusion of income and expenses attributable to non-core operations retained by CLIC in the restructuring.
- (l) Pro forma income tax has been included in the pro forma profit and loss accounts data based on the pro forma profit for the year. Since CLIC will retain the benefit of tax losses carried forward, the tax provision does not reflect any benefit in respect of those losses. In connection with the restructuring, China Life has received confirmation from the Ministry of Finance and the State Tax Bureau that certain expenses not normally deductible under current PRC tax law can be deducted by China Life in arriving at its taxable income for 2003. In the past, the deductibility of these expenses had no impact on its tax charge or net income because the business was loss-making. Taxation has been provided for on pro forma income before tax using the statutory rate of 33% and assuming that these expenses were deductible for the year ended December 31, 2002 and 2003.
- (m) Reflects CLIC's minority interests in the asset management joint venture as if it had been incorporated on January 1, 2003 or 2002 for the pro forma consolidated profit and loss accounts data for the year end December 31, 2003 or 2002, respectively.