

## Report of the Board of Directors

### 1. PRINCIPAL BUSINESS AND RESULTS

The Company is a 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 has become 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 financial statements below.

### 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 66.

### 3. RESERVES

Details of the reserves of the Group are set out in note 23 to the financial statements below.

### 4. CHARITABLE DONATIONS

The total amount of charitable donations of the Group for the year was RMB18.92 million.

### 5. FIXED ASSETS

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

### 6. SHARE CAPITAL

Details of the movement in share capital of the Company are set out in note 22 to the financial statements below.

### 7. BANK BORROWINGS

As at December 31, 2004, the Group did not have any bank borrowings.

### 8. PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SHARES

During the year, the Company and its subsidiary 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. After obtaining the approval of the Board of Directors, stock appreciation rights may be issued to members of the senior management in 2005.

## 10. DIRECTORS

Brief descriptions of the Directors of the Company are set out from page 52 to page 54.

## 11. BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND MEMBERS OF THE SENIOR MANAGEMENT

Brief descriptions of the Directors, Supervisors and members of the senior management of the Company are set out from page 52 to page 57.

## 12. DIRECTORS' SERVICE CONTRACTS

Mr. Long Yongtu and Mr. 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 these two independent non-executive Directors is three years, commencing from the date of the general meeting (i.e. August 18, 2003) at which resolutions were passed for their appointment as independent non-executive Directors of the Company. 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.

Mr. Sun Shuyi, Mr. Cai Rang and Mr. Fan Yingjun, independent non-executive Directors of the Company, entered into independent non-executive Directors' service contracts with the Company on October 9, 2004 in Beijing respectively. The term of appointment of these three independent non-executive Directors is three years, commencing from the date of the general meeting (i.e. June 18, 2004) at which resolutions were passed for their appointment as independent non-executive Directors of the Company. Upon the expiration of the term and with the consent of both parties, such 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 of the Company has entered into any service contract with the Company (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

## Report of the Board of Directors

### **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 its subsidiary at any time during the year.

### **14. DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES**

At no time during the year 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 year, none of the Directors or Supervisors had any interests in the shares and underlying shares or debentures of the equity derivatives 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**

No dividend will be declared 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, 2004, 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 Chau 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	462,431,260	6.21%

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### 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 Corporations	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 being 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, 212,051,000 H Shares, 5,200,000 H Shares, 730,000 H Shares, 880,000 H Shares, 642,000 H Shares, 28,900,448 H Shares, 21,363,512 H Shares, 32,720,000 H Shares, 156,532,300 H Shares and 3,412,000 H Shares are respectively held by JF Asset Management Limited, JF Asset Management (Singapore) Limited – Co Reg #: 197601586K, JF International Management Inc., J.P. Morgan Fleming Asset Management (London) Limited, J.P. Morgan Fleming Asset Management (Canada) Inc., J.P. Morgan Fleming Asset Management (UK) Limited, J.P. Morgan Investment Management Inc., J.P. Morgan Whitefriars Inc., JPMorgan Chase Bank, N.A. and J.P. Morgan Securities Ltd., all of which are either controlled or indirectly controlled subsidiaries of J.P. Morgan Chase & Co.

Included in the 462,431,260 H Shares are 156,532,300 H Shares (2.10%) 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

Items for tax deduction while calculating the profit tax of 2004 of the Company:

Gross wages before tax: RMB2,827 million

Interest income from Government bonds: RMB2,322 million

Dividend income of funds: RMB473 million

## 20. MANAGEMENT CONTRACTS

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

## 21. CONNECTED TRANSACTIONS

Details of the connected transactions of the Company are set out in the section "Connected Transactions" and note 21 to the financial statements below.

## 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 27 to the financial statements below.

## 23. BOARD COMMITTEES

The Board of Directors of the Company has established Audit Committee, Management Training and Remuneration Committee, Risk Management Committee and Strategic Committee.

The Audit Committee is responsible for the review and supervision of the Company's financial reporting procedures and internal control system. The Committee is currently comprised of Mr. Sun Shuyi, Mr. Cai Rang and Mr. Fan Yingjun and chaired by Mr. Sun Shuyi.

The Management Training and 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 Committee is currently comprised of Mr. Cai Rang, Mr. Miao Fuchun and Mr. Wu Yan and chaired by Mr. Cai Rang.

The Risk Management Committee is mainly responsible for assisting the management to manage the internal and external risks. The Committee is currently comprised of Mr. Fan Yingjun, Mr. Shi Guoqing and Mr. Chau Tak Hay and chaired by Mr. Fan Yingjun.

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

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### 24. MAJOR LITIGATION

Between March 16, 2004 and May 14, 2004, nine putative class action lawsuits were filed in the United States District Court for the Southern District of New York against the Company and certain of its officers and directors. These lawsuits were brought on behalf of a class of purchasers of the publicly traded securities of the Company and allege that the defendants named therein violated Section 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder (“Exchange Act Claims”), and Sections 11 and 15 of the Securities Act of 1933 by, among other things, omitting to disclose in the prospectus filed in connection with the Company’s December 2003 initial public offering of its stock that the National Audit Office of China was conducting an audit of the predecessor of the Company’s parent, China Life Insurance Company. The Court ordered that the nine actions be consolidated and restyled In re China Life Insurance Company Limited Securities Litigation, No. 04 CV 2112 (TPG), and that a consolidated amended complaint be filed. Plaintiffs filed a consolidated amended complaint on January 19, 2005, which names the Company, and three directors, namely Wang Xianzhang, Miao Fuchun and Wu Yan, as defendants, and asserts only Exchange Act Claims. These defendants jointly moved to dismiss the consolidated amended complaint on March 21, 2005. Plaintiffs’ opposition to the motion is currently due May 20, 2005. At this time, the US law firm retained by the Company is unable to express an opinion as to the likelihood of an unfavorable outcome or the amount of damages, if any, that may be awarded.

### 25. 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 as set out in Appendix 14 of the Listing Rules throughout the year ended December 31, 2004.

### 26. AUDITORS

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd. were the international and PRC auditors to the Company respectively for the year ended December 31, 2004. A resolution for the re-appointment of PricewaterhouseCoopers as the international auditors and PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd. as the PRC auditors to the Company will be proposed at the forthcoming Annual General Meeting on June 16, 2005.

By Order of the Board of Directors

**Wang Xianzhang**

*Chairman*

Beijing, China

April 18, 2005