

Corporate Governance Overview

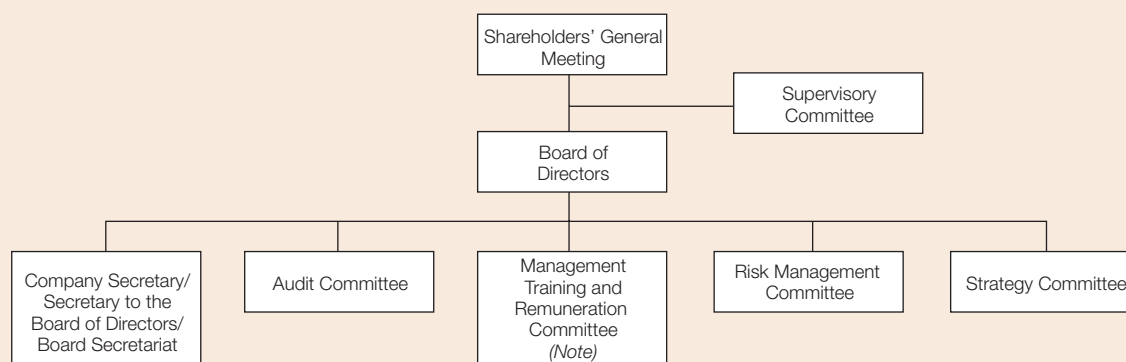
The Company, Mainland China's largest life insurance company, provides insurance products and services to over 100 million long-term policy holders. The Company strives to maximize shareholder value, and at the same time is committed to meeting the increasingly sophisticated insurance needs of our customers by providing a broad range of products and services.

Meanwhile we implement good corporate governance and strongly believe that through fostering sound corporate governance, the Company can further enhance its transparency and accountability. This also helps the Company achieve the goals mentioned above, operate in a more efficient manner and boost the confidence of investors.

This year's annual report is the first time in which the Company has included a corporate governance report. During the year 2005, the Company complied with all the code provisions under the Code on Corporate Governance Practices (the "**Code**") published by The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") except, as described below, the provisions which require that the roles of chairman and chief executive officer should not be performed by the same individual (such provision has been complied with since January 5, 2006) and that a majority of the members of the Management Training and Remuneration Committee should be independent non-executive directors (such provision has been complied with since March 16, 2006). In particular, it is worth mentioning that the Company has exceeded code requirements in the following aspects:

- Currently the board of directors of the Company (the "**Board of Directors**") consists of 9 members and 5 of them are independent non-executive directors. This exceeds the minimum requirements of the Hong Kong Stock Exchange Listing Rules relating to the appointment of at least 3 independent non-executive directors and also exceeds the recommended best practice under the Code that one third of the board be represented by independent non-executive directors.
- In order to comply with the code provision that the roles of chairman and chief executive officer should not be performed by the same individual and to promote the corporate governance practices of the Company, Mr. Yang Chao resigned as President of the Company on January 5, 2006 and on the same day Mr. Wu Yan was appointed as President in his place. Accordingly, the roles of Chairman and President of the Company were performed by Mr. Yang Chao and Mr. Wu Yan, respectively.
- In order to further enhance the Company's corporate governance framework, define the duties and powers of the Board of Directors, formulate deliberation processes and working procedures of the Board of Directors and the board committees, and in order to effectively implement the duties and responsibilities conferred by the shareholders on the Board of Directors and board committees, the Board of Directors adopted and implemented the "Rules and Procedures of Board Meetings" and rules and procedures for meetings of other board committees, which provides clear procedural guidelines for the effective functioning of the board and other board committees.

The Company's Corporate Governance Structure



Note: At the board meeting dated March 16, 2006, a resolution was passed to change the name of the Management Training and Remuneration Committee to the Nomination and Remuneration Committee, and to amend the relevant references in the Articles of Association. Such proposal will be submitted for approval by the shareholders at the annual general meeting to be held on 16 June, 2006.

Board of Directors

The duties of the Board of Directors mainly include the following: convening shareholders' general meetings, implementing resolutions passed at such meetings, approving the Company's development strategies and operation plans, formulating and supervising the Company's financial policies and annual budgets, providing an objective evaluation on the Company's operating results in its financial reports and other disclosure documents, dealing with senior management related matters, reviewing internal control systems and implementing the corporate governance policies of the Company. The responsibilities of non-executive directors include, without limitation, regular attendance at meetings of the Board of Directors and of board committees of which they are members; provision of independent opinions at meetings of the Board of Directors and other board committees, resolution of any potential conflict of interest, service on the Audit Committee, Management Training and Remuneration Committee and other board committees and inspection, supervision and reporting on the performance of the Company. The Board of Directors is accountable to the shareholders of the Company and report to them at general meetings.

The Board of Directors is collectively responsible for preparing the consolidated financial statements of the Group, which were prepared on a going concern basis, set out on pages 82 to 151 of this annual report.

The Board of Directors currently consists of nine members, with two executive directors, two non-executive directors and five independent non-executive directors (including Mr. Ma Yongwei, who has been appointed as the Company's independent non-executive director at the shareholders' general meeting held on March 16, 2006). Details of the chairman, executive directors, non-executive directors, independent non-executive directors, the president and other senior management personnel are set out on pages 66 to 72 of the annual report. As far as the Company is aware, no financial, business, family or other material relationship exists among board members including between the Chairman, Mr. Yang Chao and the President, Mr. Wu Yan.

During the year 2005, all independent non-executive directors of the Company were professionals with extensive experience in various aspects, such as economics, insurance, management, finance and accounting matters. The Company complies with the requirement of the Hong Kong Stock Exchange Listing Rules which requires that at least one of its independent non-executive directors have appropriate professional qualifications or accounting or related financial management expertise. As required under the Hong Kong Stock Exchange Listing Rules, the Company has obtained a written confirmation from each of its independent non-executive directors in respect of his/her independence, and the Company is of the opinion that all its independent non-executive directors are independent to the Company. Pursuant to the Articles of Association, directors shall be elected at the shareholders' general meeting for a term of three years and may be re-elected on expiry of the three-year term. The two non-executive directors of the Company, Mr. Miao Fuchun and Mr. Shi Guoqing commenced service on June 30, 2003 and August 26, 2004, respectively (Mr. Miao Fuchun was re-designated from executive director to non-executive director from January 5, 2006 and at the same time resigned as vice president of the Company). The term of service of the five independent non-executive directors of the Company are as follows: Mr. Long Yongtu and Mr. Chau Tak Hay commenced service on August 18, 2003, Mr. Sun Shuyi and Mr. Cai Rang commenced service on June 18, 2004, and Mr. Ma Yongwei commenced service on March 16, 2006. Mr. Wang Xianzhang and Mr. Fan Yingjun resigned as the Chairman/a director and an independent non-executive director of the Company, respectively, effective from July 29, 2005.

Meeting of the Board of Directors are held both on a regular or ad hoc basis. Regular meetings are convened by the Chairman at least four times a year, at approximate quarterly intervals and 14 days notice is given to all directors before such meetings. Agendas and related documents are sent to directors three days prior to such meetings. In 2005, all notices, agendas and related documents in respect of such regular board meetings were sent in compliance with the above requirements.

Regular board meetings are held mainly to review the interim or annual reports of the Company and to deal with other related matters. Board meetings held at the year-end are to evaluate the report on work done during the year, to review the planning of the financial budget and work arrangements by the Management for the forthcoming year. Regular board meetings do not include the practice of obtaining board consent through the circulation of written resolutions. Upon requisition by the Chairman, the general manager or more than one-third of the members of the Board of Directors, an ad hoc board meeting may be held. If the resolution to be considered at such ad hoc board meetings has been circulated to all the directors and more than half of the directors having voting rights sign and consent to such resolution, the board meeting need not be convened and such resolution in writing shall become an effective resolution. If a substantial shareholder or a director is materially interested in a matter to be considered by the board, the director having such conflict of interest shall have no voting right on the matter to be considered and shall not be counted as quorum for the board meeting.

All directors shall have access to the advice and services of the company secretary and the Board of Directors' secretary. Detailed minutes of board meetings are kept by the board secretary regarding matters considered by the board and decisions reached, including any concerns raised by directors or dissenting views expressed. Minutes of board meetings are open upon reasonable notice for inspection and for comments by any director of the Company. In 2005, five board meetings were held to discuss matters relating to newly elected directors, amendment to the Articles of Association, financial and investment related matters. Attendance records of individual directors at board meetings held in 2005 are as follows:

	Meetings Attended	Attendance Rate
<i>Independent non-executive directors</i>		
Long Yongtu	5/5	100%
Chau Tak Hay	5/5	100%
Sun Shuyi	5/5	100%
Cai Rang	5/5	100%
Ma Yongwei (Note 1)	Not Applicable	Not Applicable
Fan Yingjun (Note 2)	1/4	25%
<i>Non-executive directors</i>		
Wu Yan	5/5	100%
Shi Guoqing	5/5	100%
<i>Executive directors</i>		
Yang Chao (Note 3)	1/1	100%
Miao Fuchun	5/5	100%
Wang Xianzhang (Note 4)	4/4	100%

In respect of year 2006 up to the date of publication of this annual report, three board meetings were held to discuss matters in relation to appointment of new directors, amendment to the Articles of Association and financial and investment related matters.

Attendance records of individual directors at board meetings held in 2006 are as follows:

	Meetings Attended	Attendance Rate
<i>Independent non-executive directors</i>		
Long Yongtu	3/3	100%
Chau Tak Hay	3/3	100%
Sun Shuyi	3/3	100%
Cai Rang	3/3	100%
Ma Yongwei (Note 1)	2/2	100%
<i>Non-executive directors</i>		
Miao Fuchun	3/3	100%
Shi Guoqing	3/3	100%
<i>Executive directors</i>		
Yang Chao	3/3	100%
Wu Yan	3/3	100%

Note:

- (1) At the First Extraordinary General Meeting 2006 of the Company held on 16 March, 2006, Mr. Ma Yongwei was appointed as an independent non-executive director, effective from 16 March, 2006.
- (2) Due to his other commitments, Mr. Fan Yingjun resigned as an independent non-executive director of the Company on 29 July, 2005 and his resignation was accepted by the board on 29 July, 2005.
- (3) At the First Extraordinary General Meeting 2005 of the Company held on 29 July, 2005, Mr. Yang Chao was appointed as a director of the Company, effective from 29 July, 2005.
- (4) Due to his age, Mr. Wang Xianzhang resigned as chairman and an executive director of the Company on 29 July, 2005 and his resignation was accepted by the board on 29 July, 2005.

Chairman and President

In 2005 (except during the period between June and July when Mr. Wang Xianzhang and Mr. Yang Chao were Chairman and President, respectively), the Company did not comply with the provision under the Code that the roles of chairman and chief executive officer should not be performed by the same individual. The roles of Chairman and President of the Company were performed by the same individual. In order to comply with such code provision, improve the corporate governance practices of the Company and to give full play to the separate functions of the Chairman and the President, Mr. Yang Chao tendered his resignation to the Board of Directors as the President of the Company on January 5, 2006 and Mr. Yang's resignation took effect immediately upon the conclusion of the board meeting. Mr. Yang is currently an executive director and the Chairman of the Company. Mr. Wu Yan was appointed as the Company's President on January 5, 2006. Since then, the roles of Chairman and President of the Company have been performed by two different persons. As Chairman, Mr. Yang Chao is the legal representative of the Company, and is primarily responsible for convening and presiding over board meetings, inspecting the implementation of board resolutions, attending annual general meetings and arranging attendance by chairpersons of other board committees at general meetings in order to answer questions raised by shareholders, signing documents authorizing issue of securities by the Company and other important documents, and exercising other rights conferred on by the Board of Directors. The Chairman is responsible to and reports to the Board of Directors. Mr. Wu Yan is responsible for the day-to-day operations of the Company, including implementing strategies and policies, the Company's operation plans and investment schemes approved by the board, formulating the Company's internal control structure and fundamental management policies, drawing up basic rules and regulations, submitting to the board for appointment or removal of senior management and exercising other rights granted under the Articles of Association and by the Board of Directors. The President reports to the Board of Directors in respect of the operations of the Company.

In 2005, none of the directors and supervisors of the Company 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) that were required to be recorded in the registers of the Company required to be kept pursuant to Section 352 of the Securities and Futures Ordinance, 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 (the "Model Code"), Appendix 10 of the Hong Kong Stock Exchange Listing Rules. Furthermore, the Board of Directors has established written guidelines on no less exacting terms than the Model Code, for directors and supervisors in respect of their dealings in the securities of the Company. Specific enquiry has been made of all directors and supervisors of the Company who have confirmed that they have complied with the required standard set out in the Model Code and code of conduct for the year 2005.

Supervisory Committee

Pursuant to the PRC Company Law and Articles of Association, the Company has established a Supervisory Committee. The Supervisory Committee is empowered to exercise the following powers in accordance with law: to examine the Company's financial situation, to examine whether the directors, general manager, deputy general managers and other senior management act in contradiction with laws, administrative regulations and the Articles of Association, to demand rectification from a director, the general manager, deputy general manager or any other senior management when the acts of such persons are harmful to the Company's interests, to verify the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the Board of Directors to the shareholders' general meetings and, should any queries arise, to authorize, in the name of the Company, a re-examination by the certified public accountants and practising auditors of the Company for the time being, to propose to convene a shareholders' extraordinary general meeting, to represent the Company in negotiations with, or bringing an action against, a director, and to attend meetings of the Board of Directors.

The Supervisory Committee is accountable to the shareholders. Each year, the Supervisory Committee presents the Report of the Supervisory Committee and reports to shareholders their work done during the year. The Supervisory Committee also evaluates the attendance rate and integrity of directors, general managers, deputy general managers and review the financial reports prepared in accordance with applicable standards.

The Supervisory Committee consists of five members, one of which is the chairman. A supervisor has a term of three years and may be re-elected after expiry of the three-year term. The Supervisory Committee comprises of at least two representatives who shall be elected or removed by the shareholders in general meeting and at least one representative who shall be elected or removed democratically by the staff and workers of the Company.

The Supervisory Committee currently consists of Ms. Xia Zhihua, Mr. Wu Weimin, Mr. Jia Yuzeng, Mr. Ren Hongbin and Mr. Tian Hui, of whom Ms. Xia Zhihua and Mr. Wu Weimin are shareholder representative supervisors, Mr. Jia Yuzeng is an employee representative supervisor, Mr. Ren Bin and Mr. Tian Hui are external supervisors. Ms. Xia Zhihua was elected as supervisor by shareholders on March 16, 2006 and was appointed the chairperson unanimously by members of the Supervisory Committee on the same day.

Meetings of the Supervisory Committee shall be presided by the Chairman of the Supervisory Committee. According to the Articles of Association, the Supervisory Committee shall convene a meeting at least once a year. Based on this, the Company established the rules and procedures for meetings of the Supervisory Committee. Meetings of the Supervisory Committees include both regular and ad hoc meetings with at least two regular meetings each year, mainly to review financial reports and the financial situation of the Company. Where necessary, ad hoc meetings are convened.

In 2005, four meetings were held by the Supervisory Committee to discuss matters such as change of supervisors, review of the 2004 financial statements and the 2005 interim financial statements.

Attendance records of individual supervisors at meetings of the Supervisory Committee held in 2005 are as follows:

	Meetings Attended	Attendance Rate
Wu Weimin	4/4	100%
Jia Yuzeng (Note 2)	2/2	100%
Ren Hongbin	4/4	100%
Liu Yingqi (Note 3)	4/4	100%
Zhou Xinping (Note 2)	2/2	100%
Tian Hui	4/4	100%

For year 2006 and up to the date of publication of this annual report, five meetings were held by the Supervisory Committee to discuss matters including the Report regarding the 2006 financial budget report, change of supervisors, and the 2005 financial statements.

Attendance records of individual supervisors at meetings of the Supervisory Committee held in 2006 are as follows:

	Meetings Attended	Attendance Rate
Xia Zihua (Note 1)	3/3	100%
Wu Weimin	5/5	100%
Jia Yuzeng	5/5	100%
Ren Hongbin	5/5	100%
Liu Yingqi (Note 3)	1/1	100%
Tian Hui	5/5	100%

Note:

- (1) Ms. Xia Zihua was elected as a supervisor of the Company at the general meeting held on 16 March, 2006.
- (2) Mr. Zhou Xinping resigned as a supervisor of the Company on March 30, 2005 and Mr. Jia Yuzeng was elected as an employee representative supervisor of the Company on the same day.
- (3) Ms. Liu Yingqi resigned as a supervisor of the Company on January 5, 2006 and was appointed as the Company's vice president on the same day.

Board Committees

There are four board committees under the Board of Directors to oversee specific professional matters of the Company, including the Audit Committee, the Management Training and Remuneration Committee, the Risk Management Committee and the Strategy Committee, each with clear and specific written terms of authority. Each board committee regularly reports on their work progress and discusses the conclusions with the Board of Directors. Each board committee is accountable to the Board of Directors, and acts in accordance with the rule and regulations for meetings of the board committees adopted by the Board of Directors.

Audit Committee

The Company established the Audit Committee on June 30, 2003. For the year 2005, the Audit Committee consisted of all independent non-executive directors of the Company, with Mr. Sun Shuyi, as chairman. Other members included Mr. Cai Rang and Mr. Fan Yingjun and Mr. Chau Tak Hay. Mr. Fan Yingjun tendered his resignation to the Board of Directors as an independent non-executive director of the Company on July 29, 2005 due to other commitments and his resignation was accepted by the board on July 29, 2005. The Company appointed Mr. Chau Tak Hay, an independent non-executive director, as a member of the Audit Committee on July 29, 2005.

All members of the Audit Committee have broad experience in financial matters. The principal duties of the Audit Committee are to review and supervise the Company's financial reporting process, and to assess the effectiveness of the Company's internal control system, to supervise the Company's internal audit system and to recommend the engagement or replacement of external auditors. The Audit Committee is also responsible for communications between the internal and the external auditors.

The Audit Committee convened four meetings in 2005 and attendance records of individual members at the meetings held during the period are as follows:

Title	Name	Meetings Attended	Attendance Rate
Chairman	Sun Shuyi	4/4	100%
Member	Cai Rang	4/4	100%
Member (Note)	Chau Tak Hay	2/2	100%
Member (Note)	Fan Yingjun	0/2	0

Note: Mr. Fan Yingjun tendered his resignation to the Board of Directors as an independent non-executive director of the Company on July 29, 2005 due to other commitments and his resignation was accepted by the board on July 29, 2005. Mr. Chau Tak Hay was appointed to the Audit Committee on July 29, 2005.

In 2005, the work done by the Audit Committee mainly cover the following areas:

- Reviewing the annual financial reports as at December 31, 2005 and the interim financial reports for the six months ended June 30, 2005;
- Reviewing the outcome of internal audit on the work done by all departments and performance of the Company's services and products, and the recommendations made as a result of the internal audit;
- Examining the effectiveness of the internal control systems;
- Reviewing statutory auditing arrangements with external auditors;
- Reviewing and approving the audit costs for year 2005;

- Amending rules and regulations for audit committee meetings (Rules of the Audit Committee) in strict compliance with the requirements under the U.S. Sarbanes-Oxley Act; and
- Preparing the Company towards compliance with U.S. Sarbanes-Oxley Act Section 404.

For year 2006, prior to the date of publication of this annual report, the Audit Committee convened two meetings and attendance records of individual members at the meetings held during this period are as follows:

Title	Name	Meetings Attended	Attendance Rate
Chairman	Sun Shuyi	2/2	100%
Member	Chau Tak Hay	2/2	100%
Member	Cai Rang	2/2	100%

The Audit Committee proposes to re-appoint PricewaterhouseCoopers ("PwC") and PricewaterhouseCoopers Zhong Tian Certified Public Accounts Co., Ltd., respectively as the international auditors and the PRC auditors of the Company for the year ended December 31, 2006, and proposes to submit the same for consideration and approval by the annual general meeting to be held on June 16, 2006.

Management Training and Remuneration Committee

The Company established the Management Training and Remuneration Committee on June 30, 2003. In 2005, the Management Training and Remuneration Committee consisted of four directors, namely Mr. Cai Rang, Mr. Miao Fuchun, Mr. Wu Yan and Mr. Sun Shuyi. The composition of this committee was not in compliance with the provisions of the Code in that a majority of the members of the Remuneration Committee should be independent non-executive directors. In order to comply with the Code, the Company appointed Mr. Ma Yongwei, an independent non-executive director, to the Committee on March 16, 2006 and on the same day the Board of Directors passed a resolution to change the name of the Management Training and Remuneration Committee to the Nomination and Remuneration Committee, with the majority of the members of the Committee being independent non-executive directors. In conjunction with the above, the Company will amend the Articles of Association such that references to the Management Training and Remuneration Committee will be changed to the Nomination and Remuneration Committee. The Company will submit such proposal for approval at the forthcoming annual general meeting. The Management Training and Remuneration Committee currently consists of five members, namely Mr. Cai Rang, Mr. Sun Shuyi, Mr. Ma Yongwei, Mr. Wu Yan and Mr. Miao Fuchun, with Mr. Sun Shuyi as the chairman, comprising a majority of independent non-executive directors. The Management Training and Remuneration Committee reports to the Board of Directors.

The primary duties of the Management Training and Remuneration Committee are to draw up training plans and assessment standards for directors and senior management, to perform assessments according to such standards, to make recommendations to the Board of Directors on the remuneration policy and structure of directors and senior management and on the establishment of formal and transparent procedures for developing policies on remuneration, to fix remuneration packages for all executive directors and senior management, to propose to the Board of Directors remunerations for non-executive directors and independent non-executive directors, to review and approve remuneration of directors and senior management and compensation payable in special circumstances, and to ensure that no

director or any of his associates (as defined in the Hong Kong Stock Exchange Listing Rules) is involved in deciding his own remuneration. The Committee may consult the Chairman and/or President and have access to professional advice where necessary. Upon change of name, the Nomination and Remuneration Committee intends to undertake additional tasks such as to review the structure of the Board of Directors, to draw up plans for the appointment and succession plans for directors and senior management, and to evaluate the independence of independent non-executive directors.

The Management Training and Remuneration Committee convened two meetings in 2005 and attendance records of individual members at the meetings held during the period are as follows:

Title	Name	Meetings Attended	Attendance Rate
Chairman	Cai Rang	2/2	100%
Member	Miao Fuchun	2/2	100%
Member	Wu Yan	2/2	100%
Member	Sun Shuyi	2/2	100%

In 2005, the work done by the Management Training and Remuneration Committee mainly covered the following areas:

- Deciding on the performance target for the Management for 2005; and
- Determining remuneration plans for independent non-executive directors and external supervisors of the Company.

For year 2006 and prior to the date of publication of this annual report, the Management Training and Remuneration Committee convened one meeting and attendance records of individual members at this meeting are as follows:

Title	Name	Meetings Attended	Attendance Rate
Chairman	Cai Rang	1/1	100%
Member (Note 1)	Sun Shuyi	1/1	100%
Member (Note 2)	Ma Yongwei	Not Applicable	Not Applicable
Member	Wu Yan	1/1	100%
Member	Miao Fuchun	1/1	100%

Note:

1. At the 17th meeting of the Board of Directors dated July 29, 2005, Mr. Sun Shuyi was appointed as an additional member to the Management Training and Remuneration Committee.
2. At the 20th meeting of the Board of Directors dated March 16, 2006, the "Proposal for Name Change and Appointment of Additional Member of the Management Training and Remuneration Committee" was passed to change the name of the Management Training and Remuneration Committee to the Nomination and Remuneration Committee, which will be submitted for approval by the shareholders at the annual general meeting to be held on June 16, 2006, and to appoint Mr. Ma Yongwei, an independent non-executive director, to the Management Training and Remuneration Committee.

For year 2006 and prior to the date of publication of this annual report, the primary duties of the Management Training and Remuneration Committee include the formulation of the “Implementation for Initial Grant under the Share Appreciation Rights Plan”.

Risk Management Committee

The Company established the Risk Management Committee on June 30, 2003. In 2005, the Risk Management Committee comprised Mr. Cai Rang, Mr. Chau Tak Hay and Mr. Fan Yingjun/Mr. Wu Yan. Mr. Fan Yingjun tendered his resignation to the Board of Directors as an independent non-executive director of the Company and chairman of the Risk Management Committee on July 29, 2005 due to other commitments and his resignation was accepted by the board on July 29, 2005. The Company appointed Mr. Wu Yan to the Risk Management Committee and as the chairman of this committee on July 29, 2005. Currently the Committee consists of a majority of independent non-executive directors.

The Risk Management Committee is mainly responsible for assisting the Management in establishing and improving the internal control system, formulating the business risk management policy of the Company, presiding over the feasibility and risk assessment of important business activities, conducting regular evaluation on the performance of all the business departments and reviewing assessment reports of the Company in relation to business risks and internal control positions, identifying risks or potential risks in the day-to-day operations and making recommendations to the Management, dealing with contingent and significant risks or crises, and performing and exercising other duties or power delegated to or granted by the Board of Directors.

Strategy Committee

The Company established the Strategy Committee on June 30, 2003. In 2005, the Strategy Committee comprised Mr. Wang Xianzhang/Mr. Long Yongtu, Mr. Miao Fuchun and Mr. Shi Guoqing. Mr. Wang Xianzhang tendered his resignation to the Board of Directors as an executive director of the Company and chairman of the Strategy Committee on July 29, 2005 due to age and his resignation was accepted by the board on July 29, 2005. The Company appointed Mr. Long Yongtu to the Risk Management Committee and as chairman of the Committee on July 29, 2005. The Committee currently consists of Mr. Long Yongtu as the chairman and Mr. Miao Fuchun and Mr. Shi Guoqing as members.

The principal duties of the Strategy Committee include drawing up long-term development strategies and significant investment or financing plans of the Company, proposing significant capital investment for operation projects, and conducting studies and making recommendations on other important matters affecting the development of the Company.

Nomination of Directors

At the 20th meeting of the first session of the Board of Directors dated March 16, 2006, a resolution was passed to change the name of the Management Training and Remuneration Committee to the Nomination and Remuneration Committee, and to amend the relevant references in the Articles of Association. Such proposal will be submitted for approval by the shareholders at the annual general meeting to be held on June 16, 2006. After the change of name comes into effect, the Committee will, in addition to the duties of the remuneration committee mentioned above, undertake further tasks such as to review the structure of the Board of Directors, to draw up plans for the appointment, re-appointment and succession plans of directors and senior management, and to evaluate the independence of the independent non-executive directors. Prior to that, the Company has not established a nomination committee and the power to nominate director is exercised by the Board of Directors. The Board of Directors is responsible for reviewing proposals for nomination or replacement of directors and submitting the same to the shareholders' general meeting for approval. The Board of Directors serves written notice to the Company of the director's nomination and the intent of such nominee to accept the nomination 7 days prior to the scheduled shareholders' general meeting. The Company discloses the details of such nominee to shareholders for their consideration prior to the scheduled shareholders' general meeting. The Board of Directors nominates a director to shareholders in writing at the annual or extraordinary shareholders' general meeting, seeking approval of his appointment from shareholders. The Board of Directors may at its own discretion approve a written resignation of a director and the personnel strategies and planning of the Company.

Since 2005 and up to the date of publication of this annual report, the Board of Directors has carried out the following areas of work in respect of nomination of directors:

- Mr. Wang Xianzhang tendered his resignation at the board meeting dated June 1, 2005 as President of the Company due to age and his resignation was accepted by the board with effect on that day. At the same board meeting, the Board of Directors resolved to nominate of Mr. Yang Chao as director and appointed Mr. Yang as President of the Company. The resolution for the nomination of Mr. Yang Chao as a director was passed at the First Extraordinary General Meeting 2005 of the Company held on July 29, 2005;
- In order to comply with the code provision that the roles of chairman and chief executive officer should not be performed by the same individual and to promote the corporate governance practices of the Company, Mr. Yang Chao resigned as the President of the Company on January 5, 2006 and on the same day Mr. Wu Yan was appointed as the President of the Company. The roles of Chairman and President of the Company have since then been performed by Mr. Yang Chao and Mr. Wu Yan respectively;
- Reviewing and evaluating the independence of the independent non-executive directors; and
- To enhance the corporate governance of the Company and ensure a strong independent element on the board, the Board of Directors passed a resolution to nominate Mr. Ma Yongwei as an independent non-executive director at the board meeting held on January 5, 2006.
- On 18 April, 2006, the Board of Directors reviewed and passed the proposal for nominating directors at the second session of the Board of Directors and will submit such proposal for approval by the shareholders at the annual general meeting to be held on June 16, 2006.

Auditors' remuneration

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian Certified Public Accounts Co., Ltd. were the international auditors and the PRC auditors of the Company for the year ended December 31, 2005. In 2005, the external auditors (including any entity that is under the common control, ownership or management with the auditors and one which a reasonable and informed third party, having knowledge of all relevant information would reasonably conclude as being part of the auditors nationally or internationally) provided the group with audit and audit related services at fees detailed below:

Name/Nature of Services	Fee
Audit and audit related services	RMB46 million

The Audit Committee has resolved to re-appoint PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian Certified Public Accounts Co., Ltd., as auditors for the statutory auditing for the financial year 2006. The resolution has been approved by the Board of Directors, pending the approval and authorization by shareholders at the annual general meeting to be held on June 16, 2006.

Internal Control

The Company has at all times attached great importance to internal control and risk management. The Company's internal control is carried out by an internal control and risk management team comprising the Board of Directors, the Audit Committee and the Risk Management Committee formed under the Board of Directors, the Supervisory Committee of the Company and the Internal Control Committee formed by the Management, and the internal control execution and supervision department of the Company. The Company has, since becoming listed, placed strong emphasis on the control and management of risks in financial, investment and business aspects and has further strengthened internal control measures by:

- introducing and improving several regulations and guidelines including the "Internal Control Handbook", "Internal Control Mechanism for Financial Reporting", "Commercial Acts and Professional Ethics of the Board of Directors and Senior Personnel", "Staff Ethics Guidelines", "Internal Control Guidelines for Prevention of Fraud" to further improve the modernized enterprise internal rules and regulations;
- the appointment of Mr. Daniel Joseph Kunesh, who has extensive auditing and actuarial experiences in international insurance business, as the Chief Actuary, to strengthen investment and risk management capabilities and further enhance the actuarial assessment and compatible assets and liabilities management under HKGAAP/USGAAP;
- in addition to strict compliance with the relevant PRC laws and regulations, complying with the rules and regulations of Hong Kong and the United States where the Company is listed, including all regulatory requirements for such overseas listing and of the Code; and
- in terms of disclosure of information, establishing the "Administrative Regulations of Information Disclosure", "Workflow on Financial Reporting" and "Workflow on Releasing of Announcement" to establish a set of standardised procedures and internal control measures in handling and announcing price-sensitive information to ensure timely, accurate and appropriate disclosure of information to shareholders and regulatory authorities.

Since 2005, the Company has further strengthened its internal control and risk management system by implementation of the above internal control measures, including:

- further strengthening the control and management of investment risks and regularly inspecting its investment assets and preparing risk analysis reports. Furthermore the Company is actively introducing advanced computerised management systems to enhance its investment and management of assets and liabilities matching, and performing dynamic supervision;
- further improving the vertically integrated management structure and the centralized internal audit system, with adequate audit staff for all provincial branches. The Company has amended and formulated a series of internal auditing policies and working guidelines such as Internal Control Audit Regulations, Regulations for Project Auditing Tasks and Internal Control Rating Measures;
- conducting internal audit reviews on key risk and control areas of the Company and strengthening the supervision and inspection of rectifications and reforms of branches;
- establishing a new internal control and compliance department in January 2006 and combining the legal affairs department and audit department in the execution and supervision of internal control policies of the Company; and
- continuing the optimization of the internal control system at all national branches and preparing the Company towards compliance with Sarbanes-Oxley Act Section 404.

During the process of enhancing and optimizing its internal control systems, the Company identified and addressed certain issues that need to be resolved. The Company believes that the continued improvement and effective operation of its internal control systems is beneficial for its risk control and management and in the best interests of its customers and shareholders.

Share Appreciation Rights Plan

At the 19th meeting of the first session of the Board of Directors dated January 5, 2006, the "Implementation for the Initial Grant under the Share Appreciation Rights Plan" was passed and adopted. Share appreciation rights were initially granted to the chairman of the Board of Directors, executive directors, non-executive directors, chairman of the Supervisory Committee, internal supervisors, the President, vice presidents, the Board of Directors secretary, appointed actuary required by CIRC, appointed legal officer required by CIRC, the principal responsible officers of different departments and of provincial branches (including branches at cities under separate planning), who were employed by the Company on July 1, 2005. The initial grant of share appreciation rights took place on July 1, 2005 with an aggregate of 4.07 million shares granted, accounting for approximately 0.02% of the issued share capital.

Share appreciation rights do not involve any issue of new shares and have no dilution impact on shareholding structure of the Company.

Shareholders' Interest

To safeguard shareholders' interests, shareholders have the right to participate in the Company's affairs by attending general meetings in addition to the right of convening extraordinary general meetings under certain circumstances. Where the number of directors falls below the minimum requirement by the Articles of Association or law, the loss incurred reaches one third of its total share capital, or the Board of Directors or the Supervisory Committee deems necessary, or where shareholders of 10% or more make a requisition, the Board of Directors shall convene an extraordinary general meeting within two months of the date of such requisition. Where shareholders of 10% or more requests for an extraordinary general meeting, such shareholders shall make a request in writing to the Board of Directors with a clear agenda. The Board of Directors shall upon receipt of such a written request, convene a meeting promptly. If the Board of Directors fails to do so within thirty days after the receipt of such a written request, shareholders making such a request may convene a meeting by themselves at the cost of the Company within four months after the receipt by the Board of Directors of such a written request.

Shareholders may put forward enquiries to the Board of Directors through the company secretary or the Board of Directors secretary, or put forward proposals at shareholders' meetings through their proxies. The Company has made available its contact details in its correspondence with shareholders to enable such enquiries or proposals to be properly directed.

Investor Relations

From 2005 and up to the date of publication of this annual report, the Company made amendments to the Articles of Association regarding the number of directors, proceedings of the board meeting, notice to convene board meetings, obtaining information from the Board of Directors and other related provisions, as required under the Code and the Mandatory Provisions for Articles of Associates of Companies Listed Overseas, and such amendments are set out in the notices of general meeting of the Company sent to shareholders dated April 28, 2005 and January 6, 2006.

As at December 31, 2005, the Company had 26,764,705,000 shares in total at a face value of RMB1 per share and the aggregate share capital of RMB26,764,705,000. Please refer to page 143 of the annual report for details of share capital of the Company, and to pages 36 to 37 for the substantial shareholders of the Company and their shareholding details.

The Company held general meetings in 2005 including the Annual General Meeting 2005 dated June 16, 2005 and the Extraordinary General Meeting dated July 29, 2005. Results of shareholder votes at such general meetings have been published in newspapers and the website of the Hong Kong Stock Exchange.

The Company also held an Extraordinary General Meeting on March 16, 2006, where resolutions were passed for the appointments of Mr. Ma Yongwei as an independent non-executive director and of Ms. Xia Zhihua as a supervisor, and for the amendment to the Articles of Association of the Company.

As at December 30, 2005, public float capitalization was HK\$50,972,048,750.

The Company has taken a series of measures to enhance its relationships with investors, including the Chairman attending annual general meetings and having chairpersons of other board committees attending to answer questions at such meetings, encouraging investors to attend general meetings, publication of interim and annual financial reports, press conference for business results, conference meetings with investors, meeting investment analysts, attending investors' meetings, publication of updated news concerning the Company and provision of communication channels between investors and the Company, printing brochures, establishing designated departments for investor relations, such as the Investor Relations Department and the Information Disclosure Department.

In 2005, the Company arranged 136 meetings with investors and analysts involving approximate 410 visitors. The Company also participated in 9 investors' meetings which involved one-on-one or group talks with over 200 investors.

Significant Differences in Corporate Governance Practices for Purposes of Section 303A.11 of NYSE Listed Company Manual

As a Chinese company with H shares and ADS publicly traded on the Hong Kong Stock Exchange and New York Stock Exchange ("NYSE"), respectively, the Company must comply with the corporate governance standards provided by PRC company law and other laws, as well as the securities laws and regulations in Hong Kong and United States and the listing requirements of the Hong Kong Stock Exchange and NYSE that are applicable to the Company. The description set forth below includes, for the purpose of Section 303A.11 of the NYSE Listed Company Manual, a summary of the significant ways in which the Company's corporate governance practices differ from those followed by U.S. domestic companies under NYSE rules.

Board Independence

The Company identifies its independent directors in accordance with the qualifications provided by relevant PRC and Hong Kong regulations, which prohibit directors from having, among other things, specified interests in the Company's securities or business, relationships with the management and financial dependence on the Company. These tests vary in certain respects with those set forth under Section 303A.02 of the NYSE Listed Company Manual.

Section 303A.02 of the NYSE Listed Company Manual also requires the board of directors to affirmatively determine that the director has no material relationship with the company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company), and requires companies to identify which directors are independent and disclose the basis for that determination. Under the Hong Kong Stock Exchange Listing Rules, each independent non-executive director must provide an annual confirmation of his independence to the listed company. Under the Tentative Guidelines on Corporate Governance of Insurance Companies issued by the CIRC in 2006 (the "**Chinese Insurance Company Corporate Governance Guidelines**"), each independent director must make public announcement of the director's independence and commitment to duties. The Company plans to comply with these rules gradually in accordance with CIRC's requirements and taking account of its actual situation.

Section 303A.01 of the NYSE Listed Company Manual provides that a U.S. domestic issuer must have a majority of independent directors, unless more than 50% of such issuer's voting power is controlled by an individual, a group or another company (a **"controlled company"**). Because more than 70% of the Company's voting power is controlled by CLIC, the Company, as with controlled U.S. domestic companies, would not be required to comply with this independent board requirement. Nevertheless, a majority of the Company's directors are independent non-executive directors as construed under PRC or Hong Kong regulations.

Non-management directors of U.S. domestic companies are required by Section 303A.03 of the NYSE Listed Company Manual to meet at regularly scheduled executive sessions without management. The Company is not required by PRC or Hong Kong laws or requirements to, and currently does not hold, such sessions.

Nominating/Corporate Governance Committee and Compensation Committee

Under Section 303A.04 of the NYSE Listed Company Manual, a U.S. domestic company must have a nominating/corporate governance committee composed entirely of independent directors with a written charter that addresses certain specified responsibilities, unless it is a "controlled company". Section 303A.05 of the NYSE Listed Company Manual requires a U.S. domestic company to have a compensation committee composed entirely of independent directors with a written charter that addresses certain specified duties, unless it is a "controlled company". The Company, as with controlled U.S. domestic companies, is not required under NYSE rules to have such a nominating/corporate governance committee or compensation committee. The Company has established a nominating/remuneration committee in accordance with the Hong Kong Stock Exchange Listing Rules, comprising a majority of independent non-executive directors as construed under those rules. The nominating/remuneration committee is mainly responsible for the review and recommendation of the nomination of directors and senior officers of the Company, as well as the formulation of training and remuneration policy for the senior management of the Company. The Chinese Insurance Company Corporate Governance Guidelines require that nominating/remuneration committees of Chinese insurance companies be comprised entirely of non-executive directors. The Company plans to comply with the composition requirements of the nominating/remuneration committee in future.

Audit Committee

The NYSE rules set forth two levels of audit committee standards for U.S. domestic companies and foreign private issuers. As a foreign private issuer, the Company is required to comply with the audit committee requirements under Section 303A.06 of the NYSE Listed Company Manual, such as audit committee independence and certain functions and powers, but is not subject to the additional qualifications, independence, function and other requirements for U.S. domestic companies provided under Section 303A.07 of the NYSE Listed Company Manual.

The Company has established an audit committee in accordance with the requirements of Section 303A.06 of the NYSE Listed Company Manual, the Hong Kong Stock Exchange Listing Rules and the Chinese Insurance Company Corporate Governance Guidelines. The audit committee is mainly responsible for the review and supervision of the Company's financial reporting procedures, internal control systems, risk management procedures and compliance matters.

Corporate Governance Guidelines

Under Section 303A.09 of the NYSE Listed Company Manual, a U.S. domestic company must adopt and disclose corporate governance guidelines that address specified key subjects. The Company is not required by Chinese or Hong Kong laws or requirements to, and currently does not, have such corporate governance guidelines. However, the Company addresses several of the key subjects required by NYSE Listed Company Manual to be included the corporate governance guidelines in its articles of association, Rules of Procedures for Board of Directors, Rules of Internal Control and other internal corporate documents.

In addition, under the Hong Kong Stock Exchange Listing Rules, the Company is expected, unless specifically disclosed in its interim and annual reports, to comply with the code provisions of the Code, which set out the principles of good corporate governance for issuers.

Code of Business Conduct and Ethics

Section 303A.10 of the NYSE Listed Company Manual requires U.S. domestic companies to adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. The Company has adopted a Code of Business Conduct and Ethics for Directors and Senior Officers and Code of Conduct for Employees. The Company has disclosed the Code of Business Conduct and Ethics for Directors and Senior Officers in its annual report under Form 20-F for the fiscal year ended December 31, 2004 and is required to disclose in the annual report under Form 20-F any waivers of the code for directors or executive officers. In addition, according to the Hong Kong Stock Exchange Listing Rules, all directors of the Company must comply with the Model Code for Securities Transactions by Directors of Listed Companies that sets forth the required standards with which the directors of a listed company must comply in securities transactions of the listed company.

Certification Requirements

Under Section 303A.12(a) of the NYSE Listed Company Manual, each U.S. domestic company Chief Executive Officer must certify to the NYSE each year that he or she is not aware of any violation by the company of NYSE corporate governance listing standards. There are no similar requirements under PRC or Hong Kong laws or requirements.

Enhancing Corporate Governance

With a view to further fostering the corporate governance practices of the Company, the Company will continue to provide training to Management, as and when appropriate, in order to keep them abreast of the regulatory requirements in China and the locations where the Company is listed. The Company will regularly assess its corporate governance measures and practices to ensure that they are on par with the development of international governance structures and in light of the changing regulatory requirements and investors' needs. This will also help ensure long term and continuous development of the Company, enhance corporate value and generate greater returns for shareholders.