

Report

of the Board of Directors



Chairman of the Board of Directors:

Mr. Yang Chao (5th from right)

Executive Director:

Mr. Wan Feng (2nd from right)

Non-Executive Directors:

Mr. Shi Guoqing (2nd from left)

Ms. Zhuang Zuojin (3rd from right)

Independent Non-Executive Directors:

Mr. Long Yongtu (5th from left)

Mr. Sun Shuyi (4th from right)

Mr. Ma Yongwei (4th from left)

Mr. Chau Tak Hay (3rd from left)

Mr. Cai Rang (1st from left)

Mr. Ngai Wai Fung (1st from right)

1. PRINCIPAL BUSINESS

The Company is the largest life insurance company in China, which possesses the most extensive distribution network in China comprising exclusive agents, direct sales representatives, as well as dedicated and non-dedicated agencies. The Company provides products and services such as individual and group life insurance, accident and health insurance. The Company is one of the largest institutional investors in China, and has become China's largest insurance asset management company through its controlling shareholding in AMC.

Analysis of the Group's operations by business segments during the year is set out in note 5 to the consolidated financial statements.

2. RESULTS AND ALLOCATION

The results of the Group for the year are set out in the Group's consolidated income statements on page 88.

3. DIVIDEND

The Board of Directors proposed a cash dividend of RMB0.14 per share for the year ended December 31, 2006 to shareholders of the Company. This proposal is subject to shareholders' approval at the annual general meeting to be held on Tuesday, 12 June, 2007.

4. RESERVES

Details of the reserves of the Group are set out in note 32 to the consolidated financial statements.

5. CHARITABLE DONATIONS

The total amount of charitable donations of the Company for the year were RMB64.44 million.

6. PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Company are set out in note 6 to the consolidated financial statements.

Report of the Board of Directors

7. SHARE CAPITAL

Details of movement in share capital of the Company are set out in note 31 to the consolidated financial statements.

8. BANK BORROWINGS

As at December 31, 2006, the Company did not have any bank borrowings.

9. PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

In December 2006, the Company completed its initial public offering of 1,500 million A Shares. On January 9, 2007, the A Shares commenced trading on the Shanghai Stock Exchange. Among the 1,500 million A Shares, 600 million shares were not subject to any selling restriction while the remaining 900 million were subject to a "lock up" selling restriction.

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

10. STOCK APPRECIATION RIGHTS

On January 5, 2006, the Board of Directors of the Company approved in principle the proposal for the award of the second batch of stock appreciation rights. The stock appreciation rights were awarded at a price equal to the average closing price of the Company's shares on the Hong Kong Stock Exchange for the 5 trading days preceding January 1, 2006. According to the proposal for the award of the second batch of stock appreciation rights approved by the Board of Directors, the Company resolved in August 2006 to award the stock appreciation rights to the following personnel: eligible personnel under the first batch of stock appreciation rights, departmental deputy general managers in the head office, assistants to general managers, managers and certain eligible deputy managers of different divisions, and deputy general managers (including senior management at certain grades) at provincial branches (including branches at cities under separate planning), assistants to general managers, officers-in-charge of second tier provincial city branches, officers-in-charge of some outstanding city branches and some prominent individual agents etc.. A total of approximately 53 million shares were awarded under this batch of stock appreciation rights, representing an equivalent of approximately 0.2% of the then issued share capital. On December 29, 2006, the fifth meeting of the second session of the Board of Directors passed in principle the proposal for the award of stock appreciation rights for 2007. Such stock appreciation rights would be awarded at a price equal to the average closing price of the Company's shares on the Hong Kong Stock Exchange for the 5 trading days preceding January 1, 2007.

The award of the stock appreciation rights did not involve any issue of new shares and did not have any dilution impact on shareholders of the Company.

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 pages 65 to 72.

12. DIRECTORS' SERVICE CONTRACTS

The Company entered into "Service Contracts for Independent Non-executive Directors" with Mr. Long Yongtu, Mr. Chau Tak Hay, Mr. Sun Shuyi and Mr. Cai Rang in 2003 and 2004, respectively. Following the re-election of

Report of the Board of Directors

the Board of Directors, at the fourth meeting of the second session of the Board of Directors convened in Beijing on November 10, 2006, the Company entered into service contracts with all the Directors of the Company (the service contract with Mr. Ngai Wai Fung, an independent non-executive Director, was entered into on December 29, 2006). The term of the appointment of each Director was three years, commencing from the date when the shareholders of the Company elected them as members of the second session of the Board of Directors until the expiration of the term of the second session of the Board of Directors or the early termination thereof for other reasons. Upon the expiration of the term and with the consent of both parties, independent non-executive Directors may be re-elected.

These contracts are determinable by the Company 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 is or was materially interested, directly or indirectly, in any contracts of significance entered into by the Company or its controlling shareholders or any of their respective subsidiaries at any time during the reporting period.

14. DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

At no time during the reporting period had the Company authorised 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. DISCLOSURE OF DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at December 31, 2006, save as disclosed below, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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, Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

| Name of company | Name of director | Capacity | Nature of interests | Type of Shares | Number of Shares held | Percentage of the respective type of Shares | Percentage of the total number of Shares in issue |
|--------------------------------------|------------------|------------------|---------------------|----------------|-----------------------|---|---|
| China Life Insurance Company Limited | Ngai Wai Fung | Beneficial owner | Personal | H Shares | 2,000(L) | 0.000026877 | 0.000007076 |

The letter "L" denotes a long position.

16. 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 options of shares.

Report of the Board of Directors

17. INTEREST OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at December 31, 2006, as far as is known to any Directors and chief executive, the following persons (other than the Directors, Supervisors and Chief Executive) had interests or short positions in the shares or underlying shares of the Company.

| Name of Substantial Shareholder | Capacity | Type of Shares | Number of Shares held | Percentage of the respective type of Shares | Percentage of the total number of Shares in issue |
|--|--|-----------------|----------------------------------|---|---|
| China Life Insurance (Group) Company | Beneficial owner | Domestic Shares | 19,323,530,000(L) | 92.8 | 68.4 |
| Lee Shau Kee (1) | Founder of discretionary trusts & interest of controlled corporations | H Shares | 428,358,620(L) | 5.76 | 1.52 |
| Leeworld (Cayman) Limited (1) | Trustee | H Shares | 428,358,620(L) | 5.76 | 1.52 |
| Leesons (Cayman) Limited (1) | Trustee | H Shares | 428,358,620(L) | 5.76 | 1.52 |
| Lee Financial (Cayman) Limited (1) | Interest of controlled corporations | H Shares | 428,358,620(L) | 5.76 | 1.52 |
| Shau Kee Financial Enterprises Limited (1) | Interest of controlled corporations | H Shares | 428,358,620(L) | 5.76 | 1.52 |
| Richbo Investment Limited (1) | Beneficial owner | H Shares | 428,358,620(L) | 5.76 | 1.52 |
| Deutsche Bank Aktiengesellschaft (2) | Beneficial owner, investment manager and person having a security interest in shares | H Shares | 583,580,732(L) 305,871,429(S) | 7.84 4.11 | 2.06 1.08 |
| JPMorgan Chase & Co. (3) | Beneficial owner, investment manager and custodian corporation/ approved lending agent | H Shares | 573,342,325(L) 238,509,700(P) | 7.70 3.21 | 2.03 0.84 |
| KBC Group N. V. (4) | Interest of corporation controlled by KBC Group N. V. | H Shares | 427,504,557(L) 223,146,055(S) | 5.75 3.00 | 1.51 0.79 |

The letter "L" denotes a long position. The letter "S" denotes a short position. The letter "P" denotes interest in a lending pool.

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 were held by Richbo Investment Limited (“Richbo”), an indirect wholly-owned subsidiary of Shau Kee Financial Enterprises Limited (“Shau Kee Financial”). Lee Financial (Cayman) Limited (“Lee Financial”) as trustee of a unit trust (the “Unit Trust”) owned all the issued shares of Shau Kee Financial. Leeworld (Cayman) Limited (“Leeworld”) and Leesons (Cayman) Limited (“Leesons”), as trustees of respective discretionary trusts, held units in the Unit Trust. Mr. Lee Shau Kee owned the entire issued share capital of Lee Financial, Leeworld and Leesons. Accordingly, Mr. Lee Shau Kee, Lee Financial, Leeworld, Leesons, Shau Kee Financial and Richbo were taken to have an interest in these 428,358,620 H shares.

Notes (2):

Deutsche Bank Aktiengesellschaft was interested in a total of 583,580,732 H shares in accordance with the provisions of Part XV, SFO. Of these shares, Deutsche Investment Management Americas Inc., Deutsche Asset Management (Asia) Limited, Deutsche Asset Management International GmbH, DWS (Austria) Investmentgesellschaft mbH, DWS Investment GmbH, DWS Investment S.A. Luxembourg, DWS Investments Italy SGR S.p.A., Deutsche AG Frankfurt, Deutsche Vermögensbildungsgesellschaft mit beschränkter Haftung, Deutsche Bank (Suisse) S.A., Deutsche Bank AG Singapore Branch and Deutsche Bank Securities Inc. were interested in 1,988,000 H shares, 16,512,000 H shares, 4,202,000 H shares, 470,000 H shares, 99,754,000 H shares, 30,108,000 H shares, 1,170,000 H shares, 32,000 H shares, 377,000 H shares, 20,000 H shares, 181,000 H shares and 4,000 H shares respectively. All of these entities are either controlled or indirectly controlled subsidiaries of Deutsche Bank Aktiengesellschaft.

Deutsche Bank Aktiengesellschaft held by way of attribution a “short position” as defined under Part XV, SFO in 305,871,429 H shares (4.11%).

Note (3):

JPMorgan Chase & Co. was interested in a total of 573,342,325 H shares in accordance with the provisions of Part XV, SFO. Of these shares, JPMorgan Chase Bank, N.A., J.P. Morgan Investment Management Inc., JPMorgan Asset Management (UK) Limited, JF Asset Management (Singapore) Limited – Co Reg #:197601586K, JF Asset Management Limited, JF International Management Inc., JPMorgan Asset Management (Canada) Inc., J.P. Morgan Securities Ltd., J.P. Morgan Whitefriars Inc. and JPMorgan Asset Management (Japan) Limited were interested in 238,509,700 H shares, 10,985,512 H shares, 17,869,409 H shares, 4,258,000 H shares, 186,302,000 H shares, 4,472,000 H shares, 415,000 H shares, 7,000,000 H shares, 95,586,704 H shares and 7,944,000 H shares respectively. All of these entities are either controlled or indirectly controlled subsidiaries of JPMorgan Chase & Co.

Included in the 573,342,325 H shares are 238,509,700 H shares (3.21%) which are held in the “lending pool”, as defined under Section 5(4) of the Securities and Futures (Disclosure of Interests – Securities Borrowing and Lending) Rules.

Note (4):

KBC Group N.V. was interested in a total of 427,504,557 H shares in long position and 223,146,055 H shares in short position in accordance with the provisions of Part XV, SFO. These H share interests were held by KBC Investments Hong Kong Limited, a wholly-owned subsidiary of KBC Bank N.V. KBC Group N.V. is the indirect controlling shareholder of KBC Bank N.V.

Save as disclosed above, the Directors, Supervisors and chief executives of the Company are not aware that there is any party who, as at December 31, 2006, had an interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such shares.

18. INFORMATION OF TAX DEDUCTION

Items for tax deduction while calculating the enterprise income tax of 2006 of the Company:

| | |
|--|------------------|
| Gross wages before tax: | RMB3,656 million |
| Interest income received from government bonds | RMB5,649 million |
| Dividend income from funds: | RMB3,710 million |

Report of the Board of Directors

19. MANAGEMENT CONTRACTS

No management or administration contracts for the whole or substantial part of any business of the Company were entered into during the year.

20. CONNECTED TRANSACTIONS

Details of the connected transactions of the Company are set out in the section “Connected Transactions” and note 30 to the consolidated financial statements.

21. GUARANTEES

During the reporting period, the Company did not provide any guarantee.

22. REMUNERATION OF THE DIRECTORS, SUPERVISORS AND MEMBERS OF THE SENIOR MANAGEMENT

Details of the remuneration of the Directors, supervisors and members of the senior management for the year ended December 31, 2006 are set out in note 36 to the consolidated financial statements.

23. BOARD COMMITTEES

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

The Audit Committee is responsible for the review and supervision of the Company’s financial reporting procedures and internal control system. The Audit Committee currently comprises Mr. Sun Shuyi, Mr. Chau Tak Hay, Mr. Cai Rang and Mr. Ngai Wai Fung. Mr. Sun Shuyi, an independent non-executive Director, is the chairman of the committee.

The Nomination and Remuneration Committee is mainly responsible for reviewing the structure of the Board of Directors, drawing up plans for the appointment and succession of directors and senior management and formulating training and remuneration policies for senior management of the Company. The Nomination and Remuneration Committee comprises Mr. Cai Rang, Mr. Sun Shuyi and Mr. Shi Guoqing. Mr. Cai Rang, an independent non-executive Director, is the chairman of the committee.

The Risk Management Committee is mainly responsible for assisting the management to manage internal and external risks. The Risk Management Committee currently comprises Mr. Ma Yongwei, Mr. Wan Feng and Ms. Zhuang Zuojin. Mr. Ma Yongwei, an independent non-executive Director, is the chairman of the committee.

The Strategy Committee is mainly responsible for the formulation of the overall development plan and decision-making procedures of investment. During 2006, the Strategy Committee comprised Mr. Long Yongtu, Mr. Wu Yan and Mr. Shi Guoqing. On January 31, 2007, the Board of Directors approved the resignation of Mr. Wu Yan as a Director due to reallocation of job duties. The Strategy Committee currently comprises Mr. Long Yongtu, Mr. Wan Feng and Mr. Shi Guoqing. Mr. Long Yongtu, an independent non-executive Director, is the chairman of the committee.

Report of the Board of Directors

24. MAJOR LITIGATION

Class Action Litigation

The Company and certain of its past directors (the “defendants”) have been named in nine putative class action lawsuits filed in the United States District Court for the Southern District of New York between 16 March 2004 and 14 May 2004. The lawsuits have been ordered to be consolidated and restyled In re China Life Insurance Company Limited Securities Litigation, NO.04 CV 2112 (TPG). Plaintiffs filed a consolidated amended complaint on 19 January 2005, which names the Company, Wang Xianzhang (past director), Miao Fuchun (past director) and Wu Yan (past director) as defendants. The consolidated amended complaint alleges 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. The Company has engaged U.S. counsel to contest vigorously on the lawsuits. The defendants jointly moved to dismiss the consolidated amended complaint on 21 March 2005. Plaintiffs then further amended their complaint. Defendants moved to dismiss the second amended complaint on 18 November 2005. That motion has been fully briefed and is pending before the Court. The likelihood of an unfavourable outcome is still uncertain.

25. MAJOR CUSTOMER

During the reporting period, the premium income and policy fee of the Company’s five largest customers accounted for less than 30% of the Company’s total premium income and policy fees for the year. None of the Directors of the Company or any of their associates or any shareholders (which to the best knowledge of the Directors, with more than 5% of the Company’s issued share capital) had any beneficial interest in the Company’s five largest customers.

26. SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as the latest practicable date prior to the printing of this annual report, being April 17, 2007, not less than 25% of the issued share capital of the Company (being the minimum public float applicable to the shares of the Company) was held in public hands.

27. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Save as disclosed in the Report of Corporate Governance, the Directors of the Company are not aware of any information that would reasonably indicate that the Company did not meet the applicable code provisions under the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the reporting period. Details are set out in the “Report of Corporate Governance” from pages 47 to 64 of this annual report.

28. 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, 2006. 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 to be held on June 12, 2007.

By Order of the Board of Directors

Yang Chao
Chairman

Beijing, China
April 17, 2007