

Report of Corporate Governance

The Company, 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 increasing insurance needs of our customers by providing a broad range of products and services.

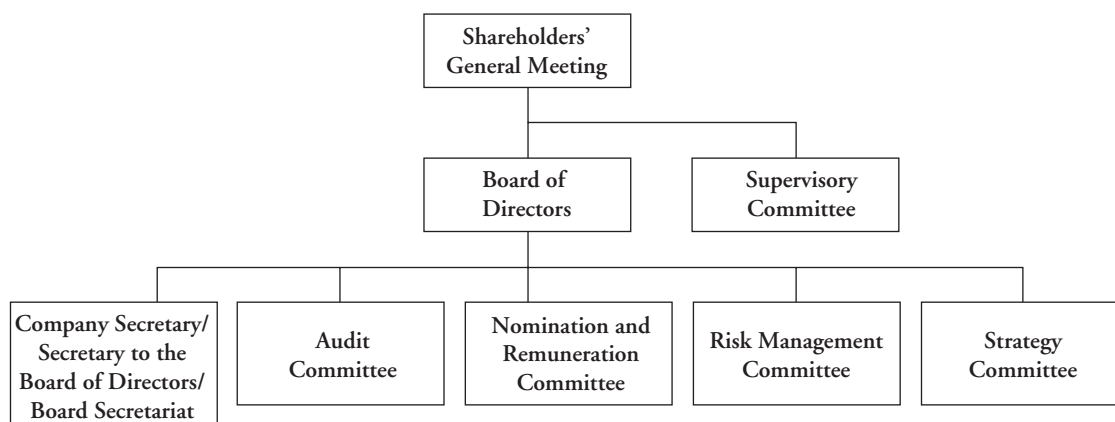
Meanwhile we implement good corporate governance policies and strongly believe that through fostering sound corporate governance, the Company can further enhance its transparency and accountability. This also helps the Company achieve the goals mentioned above, operate in a more efficient manner and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

During the year 2006, 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 code provisions that require the roles of chairman and chief executive officer (president) should not be performed by the same individual for a short period of time (such provision was complied with effective from January 5, 2006) and that a majority of the members of the Nomination and Remuneration Committee should be independent non-executive directors (such provision was complied with effective from March 16, 2006). The Company also adopted certain recommended best practices under applicable circumstances. 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 10 members and 6 of them are independent non-executive directors. This complies with 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 (president) 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. Mr. Wu Yan resigned as executive Director and President of the Company on January 26, 2007 and 31 January, 2007 respectively. On January 31, 2007, the Board of Directors authorised Mr. Wan Feng, who is executive Director and Vice President of the Company, to manage the daily operation of the Company. Accordingly, the roles of chairman and chief executive officer (president) are clearly separated.
- 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 therefore 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 the board committees, which provide clear procedural guidelines for the effective functioning of the Board of Directors and the board committees.

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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 has been approved by the shareholders at the annual general meeting 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, Nomination 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 are prepared on a going concern basis, set out on pages 84 to 161 of this annual report. The Board of Directors currently consists of ten members, with two executive directors, two non-executive directors and six independent non-executive directors. Details of the chairman, executive directors, non-executive directors, independent non-executive directors, president, supervisors and other senior management personnel are set out on pages 65 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, supervisory members or senior management including between the Chairman, Mr. Yang Chao and the former President, Mr. Wu Yan.

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During the year 2006, 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 Board of Directors of the Company was re-elected at the shareholder's annual general meeting on June 16, 2006. All directors of the second session of the Board of Directors were appointed for a term of three years commencing from June 16, 2006. Mr. Ngai Wai Fung was elected as an independent non-executive director at the third shareholder's general meeting of the year 2006 on December 29, 2006. He was appointed with a term commencing from December 29, 2006 until the term of the second session of Board of Directors expires.

Meetings 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 approximately 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. During the year 2006, 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 status of implementing the financial budget and work arrangements by the Management for the forthcoming year. Regular board meetings do not apply the practice of obtaining board consent through the circulation of written resolutions. Upon requisition by the Chairman, the president 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 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.

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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 2006, nine board meetings were held to discuss matters relating to newly elected directors, re-election of the Board of Directors, issue and listing of A Shares, amendment to the Articles of Association, financial and investment related matters. Attendance records of individual directors at board meetings held in 2006 are as follows:

	Meetings Attended	Attendance Rate
Independent non-executive Directors		
Long Yongtu	9/9	100%
Sun Shuyi	9/9	100%
Ma Yongwei (<i>Note 1</i>)	8/8	100%
Chau Tak Hay	9/9	100%
Cai Rang	9/9	100%
Ngai Wai Fung (<i>Note 2</i>)	1/1	100%
Non-executive Directors		
Shi Guoqing	9/9	100%
Zhuang Zuojin (<i>Note 3</i>)	6/6	100%
Miao Fuchun (<i>Note 6</i>)	3/3	100%
Executive Directors		
Yang Chao	9/9	100%
Wan Feng (<i>Note 4</i>)	6/6	100%
Wu Yan (<i>Note 5</i>)	9/9	100%

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In respect of year 2007 up to the date of publication of this annual report, two board meetings were held to discuss matters in relation to resignation of directors, amendment to the Articles of Association and financial and investment related matters. Attendance records of individual directors at board meetings are as follows:

	Meetings Attended	Attendance Rate
Independent non-executive Directors		
Long Yongtu	2/2	100%
Sun Shuyi	2/2	100%
Ma Yongwei (<i>Note 1</i>)	2/2	100%
Chau Tak Hay	2/2	100%
Cai Rang	2/2	100%
Ngai Wai Fung (<i>Note 2</i>)	2/2	100%
Non-executive Directors		
Shi Guoqing	2/2	100%
Zhuang Zuojin (<i>Note 3</i>)	2/2	100%
Executive Directors		
Yang Chao	2/2	100%
Wan Feng (<i>Note 4</i>)	2/2	100%
Wu Yan (<i>Note 5</i>)	1/1	100%

Notes:

- (1) At the First Extraordinary General Meeting 2006 of the Company held on March 16, 2006, Mr. Ma Yongwei was appointed as an independent non-executive Director. Mr. Ma was re-elected as a member of the second session of board at the shareholders' annual general meeting held on June 16, 2006, effective from June 16, 2006.
- (2) Mr. Ngai Wai Fung was appointed as an independent non-executive Director at the Third Extraordinary General Meeting held on 29 December, 2006, effective from December 29, 2006.
- (3) At the Shareholders' annual general meeting held on June 16, 2006, Ms. Zhuang Zuojin was appointed as a Director of the Company, effective from June 16, 2006.
- (4) At the Shareholders' annual general meeting held on June 16, 2006, Mr. Wan Feng was appointed as a Director of the Company, effective from June 16, 2006.
- (5) Due to changes in his work responsibilities, Mr. Wu Yan resigned as an executive Director and President of the Company, which was approved by the Board of Directors on January 31, 2007.
- (6) Mr. Miao Fuchun was re-designated from an executive Director to a non-executive Director at the board meeting held on January 5, 2006, and resigned as a Director of the Company on June 16, 2006.

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CHAIRMAN AND PRESIDENT

During the period between January 5, 2006 and December 31, 2006, Mr. Yang Chao was the Chairman of the Company while Mr. Wu Yan was the President of the Company. At the first extraordinary general meeting of the second session of the Board of Directors held on January 31, 2007, it was resolved to authorize Mr. Wan Feng to manage the daily operation of the Company. The Chairman is the legal representative of the Company, who 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. The President 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 of Directors, formulating the Company's internal control structure and fundamental management policies, drawing up basic rules and regulations, submitting to the Board of Directors 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 2006, apart from Mr. Ngai Wai Fung who held 2,000 H Shares of the Company, none of the directors and supervisors of the Company had any interests in the shares, underlying shares of derivatives or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Chapter 571 of the Laws of Hong Kong) 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 Listing Rules. Furthermore, the Board of Directors has established code of conduct on no less exacting terms than the Model Code, to govern the dealings in the securities of the Company by the directors and supervisors of the Company. Upon specific enquiries made by the Company, all directors and supervisors of the Company confirmed that they have complied with the required standard set out in the Model Code and code of conduct for the year 2006.

SUPERVISORY COMMITTEE

Pursuant to the Company Law of the PRC and the Articles of Association of China Life Insurance Company Limited, the Company has established a Supervisory Committee. The Supervisory Committee is conferred with powers from the laws to perform the following duties: to examine the financial position of the Company, to monitor whether the directors, president, vice presidents and other senior management act in contravention to the laws, administrative regulations, the Articles of Association and the resolutions of the shareholder's general meetings, to demand rectification from the above officers when their acts are detrimental to the interests of the Company, to review the financial information such as the financial report, results report and plans for distribution of profits to be submitted by the Board of Directors to the shareholders' general meetings and to authorize a re-examination by the certified public accountants and practising auditors of the Company for the time being in the name of the Company, to propose the convening of a shareholders' extraordinary general meeting and propose resolutions on shareholders' meetings, to represent the Company in negotiations with, or bringing an action against, a director, and to perform other duties required by laws, regulations and rules imposed by national and overseas supervisory bodies.

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The Supervisory Committee is accountable to the shareholders. Each year, the Supervisory Committee presents the Report of the Supervisory Committee and reports their work performed according to the laws at the shareholders' general meetings. The Supervisory Committee also evaluates the attendance rate and integrity of the directors, president, vice presidents and other senior management, and reviews the auditor's reports issued by the auditors in accordance with the generally acceptable auditing standards.

The Supervisory Committee consists of five members, one of whom is the chairperson. A supervisor has a term of three years, who is subject to and eligible in re-election. The Supervisory Committee comprises of two shareholders' representatives who shall be elected by the shareholders in general meeting, two employees' representatives who shall be elected democratically by the staff and workers of the Company, and one external supervisor.

The Supervisory Committee currently consists of Ms. Xia Zhihua, Mr. Wu Weimin, Mr. Qing Ge, Ms. Yang Hong and Mr. Tian Hui, of whom Ms. Xia Zhihua and Mr. Wu Weimin are shareholder representative supervisors, Mr. Qing Ge and Ms. Yang Hong are employee representative supervisors, and Mr. Tian Hui is an external supervisor. Ms. Xia Zhihua was nominated as supervisor by the Supervisory Committee on January 5, 2006. She was approved by poll at the shareholders' meeting held on 16 March, 2006 and Ms Xia Zhihua was appointed the chairperson of the committee unanimously by members of the Supervisory Committee on the same day.

Meetings of the Supervisory Committee shall be convened by the Chairperson of the Supervisory Committee. According to the Articles of Association, 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, the annual report, to examine the financial situation and internal control of the Company. Where necessary, ad hoc meetings are convened.

In 2006, nine meetings were held by the Supervisory Committee. Details are set out in the Report of the Supervisory Committee in this annual report. Attendance records of individual supervisors at meetings of the Supervisory Committee held in 2006 are as follows:

	Meetings Attended	Attendance Rate
Liu Yingqi (<i>Note 1</i>)	1/1	100%
Xia Zhihua (<i>Note 2</i>)	7/7	100%
Wu Weimin	9/9	100%
Jia Yuzeng (<i>Note 3</i>)	5/5	100%
Ren Hongbin (<i>Note 4</i>)	5/5	100%
Tian Hui	9/9	100%
Qing Ge (<i>Note 5</i>)	4/4	100%
Yang Hong (<i>Note 6</i>)	1/1	100%

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For the year 2007 and up to the date of publication of this annual report, the Supervisory Committee convened a meeting on April 17, 2007 to review such matters as the 2006 annual report and Highlight on the Work of the Company's Supervisory Committee for 2007. Attendance records of individual supervisors at meetings of the Supervisory Committee are as follows:

	Meetings Attended	Attendance Rate
Xia Zhihua (<i>Note 2</i>)	1/1	100%
Wu Weimin	1/1	100%
Qing Ge (<i>Note 5</i>)	1/1	100%
Yang Hong (<i>Note 6</i>)	1/1	100%
Tian Hui	1/1	100%

Notes:

- (1) Ms. Liu Yingqi resigned as a Supervisor of the Company on January 5, 2006 and was appointed as the Vice President of the Company on the same day.
- (2) Ms. Xia Zhihua was elected as a Supervisor of the Company at the general meeting held on March 16, 2006.
- (3) Mr. Jia Yuzeng ceased to be an employee representative Supervisor in the re-election of the second Supervisory Committee due to his transfer and departure from the Company.
- (4) Mr. Ren Hongbin ceased to be an external Supervisor in the re-election of the second Supervisory Committee.
- (5) Mr. Qing Ge was elected as an employee representative Supervisor on the employee representative meeting held on June 15, 2006.
- (6) Ms. Yang Hong was elected as an employee representative Supervisor on the employee representative meeting held on October 16, 2006.

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 Nomination 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. The fifth meeting of the second session of the Board of Directors on December 29, 2006 reviewed and approved "the Resolution to appoint Mr. Ngai Wai Fung, an independent director, as a financial expert in the Audit Committee". For the year 2006, the Audit Committee was comprised of all independent non-executive Directors of the Company, with Mr. Sun Shuyi as the chairman. Other members included Mr. Cai Rang, Mr. Chau Tak Hay and Mr. Ngai Wai Fung.

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, 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.

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Six meetings were held by the Audit Committee during the year 2006. Attendance records of individual members at meetings of the committee held in 2006 are as follows:

Title	Name of the member	Meetings Attended	Attendance Rate
Chairman	Sun Shuyi	6/6	100%
Member	Cai Rang	6/6	100%
Member	Chau Tak Hay	6/6	100%
Member (<i>Note</i>)	Ngai Wai Fung	1/1	100%

Note: Mr. Ngai Wai Fung was appointed to the Audit Committee as a financial expert on December 29, 2006. For the year 2006, he only attended the fourth meeting of the second session of Audit Committee held on December 29, 2006.

During the year 2006, the works performed by the Audit Committee were principally as follows:

1. Reviewing the financial reports for the year ended December 31, 2006 and the six months ended June 30, 2006; Reviewing the Financial Report of the Company for Every Three Years;
2. Reviewing the results of internal audit on the work performed by all divisions and departments of the Company and the performance of the Company's services and products, and the recommendations made as a result of the internal audit;
3. Examining the effectiveness of the internal control systems; reviewing the report on internal control appraisal that covers all the substantial aspects of control, including financial control, operative control, rule compliance control and risk management control;
4. Reviewing statutory auditing arrangements and status with external auditors;
5. Reviewing and approving the audit costs for the year 2006;
6. Leading the Company towards compliance with Section 404 of Sarbanes-Oxley Act of the U.S.

For the year 2007 and up to the date of publication of this annual report, the Audit Committee convened a meeting. Attendance records of individual members at the meeting are as follows:

Title	Name	Meeting Attended	Attendance Rate
Chairman	Sun Shuyi	1/1	100%
Member	Cai Rang	1/1	100%
Member	Chau Tak Hay	1/1	100%
Member	Ngai Wai Fung	1/1	100%

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CHANGES IN AND COMPOSITION OF NOMINATION AND REMUNERATION COMMITTEE

The Company established the Management Training and Remuneration Committee on June 30, 2003. In 2005, the Committee was comprised 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 requirements of the Code that the 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, as a member of the Committee on March 16, 2006. 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 line with the requirements of the Committee, a special resolution for the amendment to the Company's Articles of Association was approved at the annual general meeting held on June 16, 2006. Pursuant to the amended Articles of Association, the Company changed the name of the Management Training and Remuneration Committee to the Nomination and Remuneration 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 for directors and senior management. The committee is also responsible for formulating training and remuneration policies for the senior management officers of the Company. The committee is comprised of Cai Rang and Sun Shuyi, both of whom are independent non-executive Directors and Shi Guoqing, a non-executive Director. Cai Rang, an independent non-executive Director, is the chairman of the committee.

Five meetings were held by the Nomination and Remuneration Committee for the year 2006. Attendance records of individual members at the meetings of the committee held during the year 2006 are as follows:

Title	Name	Meetings Attended	Attendance Rate
Chairman	Cai Rang	5/5	100%
Member (<i>Note</i>)	Miao Fuchun	2/2	100%
Member (<i>Note</i>)	Wu Yan	2/2	100%
Member (<i>Note</i>)	Sun Shuyi	4/4	100%
Member (<i>Note</i>)	Ma Yongwei	1/1	100%
Member (<i>Note</i>)	Shi Guoqing	3/3	100%

Note: In 2006, as a result of resignation or new appointment, the attendance of Miao Fuchun, Wu Yan, Sun Shuyi, Ma Yongwei and Shi Guoqing at the meeting of the Nomination and Remuneration Committee was only 2, 2, 4, 1 and 3 respectively.

During the year 2006, the work performed by the Nomination and Remuneration Committee was principally as follows:

1. Reviewing and approving the proposal on the nomination of candidates for the second session of the Board of Directors of the Company;
2. Improving the establishment of the Company, and appointing Mr. Ngai Wai Fung, an independent non-executive director as the financial expert of the Audit Committee;

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3. Reviewing and approving the resolution to put forth at the shareholders' meeting to authorize the Board of Directors to determine the remuneration of directors and supervisors, and recommending the Board of Directors to put forth the same for approval at the shareholders' meeting. The resolution to put forth at the shareholders' meeting to authorize the Board of Directors to determine the remuneration of directors and supervisors was approved at the annual general meeting held on June 16, 2006;
4. Deciding on the performance target for the Management for 2006, and consenting to set the remuneration of Liu Lefei, the Chief Investment Officer and Liu Anlin, the Chief Information Technology Officer at the grade of Assistant to President.
5. Reviewing and approving the "Employee Share Incentives Plan (Draft)", and consenting to submit the same in writing to the Board of Directors for review and approval; reviewing and approving in principle the "Resolutions on Rewards for the year 2006"; reviewing and approving in principle the "Resolution on Award of the Stock Appreciation Rights in 2007".

RISK MANAGEMENT COMMITTEE

The Company established the Risk Management Committee on June 30, 2003. During the year 2006, the Committee was comprised of Ma Yongwei, an independent non-executive director, Wan Feng, an executive director and Zhuang Zuojin, a non-executive director. Ma Yongwei, an independent non-executive director, is the Chairman of the Committee.

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 powers delegated to or granted by the Board of Directors.

STRATEGY COMMITTEE

The Company established the Strategy Committee on June 30, 2003. During the year 2006, the Committee was comprised of Long Yongtu, an independent non-executive director, Wu Yan, an executive director and Shi Guoqing, a non-executive director. Long Yongtu, an independent non-executive director, is Chairman of the Committee. 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.

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.

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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, 2006. During the year 2006, the external auditors (including any entity that is under the common control, ownership or management with the auditors 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 (in RMB million)
Audit and audit related services	76

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 2007. 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 12, 2007.

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 and Risk Management 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:

1. 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 Management Personnel", "Staff Ethics Guidelines", "Internal Control Guidelines for Prevention of Fraud" to further improve the modernized enterprise internal rules and regulations;
2. the term of appointment of Mr. Daniel Joseph Kunesh, the Chief Actuary of the Company expired on December 26, 2006. The Board of Directors resolved to appoint Ms. Shao Huizhong as the full-time actuary of the Company. The qualification of Ms. Shao's is consistent with our requirements on appointing the Chief Actuary;
3. Mr. Ngai Wai Fung was elected as an independent non-executive director of the Company at a shareholder's meeting on December 29, 2006. On the same day the Board of Directors resolved to appoint him as financial expert complying with the definition of SEC in the U.S. to the Audit Committee. The appointment further improved the professional level of the Audit Committee in reviewing the financial reports prepared by the Company under the United States generally accepted accounting principles.

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4. In terms of compliance, apart from strictly complying with the relevant laws and regulations in the PRC and the listing rules of Shanghai Stock Exchange, the Company also strictly complied 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 those of the Code; and
5. In terms of disclosure of information, the Company established the “Administrative Regulations of Information Disclosure”, “Workflow on Financial Reporting” and “Workflow on Releasing of Announcement”, which provided a set of standardised procedures and internal control measures in handling and announcing price-sensitive information. These procedures and measures served to ensure timely, accurate and appropriate disclosure of information to shareholders and regulatory authorities.

From 2006 until now, the Company further strengthened its internal control and risk management system apart from the implementation of the above internal control measures, which principally include:

1. Further strengthening the control and management of investment risks and regularly inspecting its investment assets and preparing risk analysis reports;
2. Further improving the centralized and vertically managed internal audit system, with adequate audit staff for all provincial branches;
3. 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;
4. Establishing a new internal control and compliance department in January 2006 which works together with the legal affairs department and audit department in the execution and supervision of internal control policies of the Company; and
5. Continuing the optimization of the internal control system at all national branches. To comply with “Sarbanes-Oxley Act – Section 404” and other securities legislations of the United States, the Company completed a self assessment on internal control over financial reporting as of December 31, 2006, and confirmed such internal control was effective. The Company had also received from our registered independent auditors unqualified opinions on management’s assessment of the effectiveness of internal control over financial reporting and on the effectiveness of our internal control over financial reporting as of December 31, 2006. Management’s assessment and the report of our registered independent auditors will be included in our SEC Form 20-F (the US version of annual report).

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.

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STOCK APPRECIATION RIGHTS

In order to establish an encouraging and restricting system, and attract and retain the Company's senior management personnel and other outstanding personnel, the Company awards stock appreciation rights for long-term encouragement. On January 5, 2006, the "Implementation for the Initial Award under the Stock Appreciation Rights Plan" was approved by the Board of Directors. Stock appreciation rights were initially awarded to the chairman of the Board of Directors, executive directors, non-executive directors (except independent non-executive directors), chairman of the Supervisory Committee, internal supervisors, the president, vice presidents, secretary to the Board of Directors, appointed actuary, appointed legal officer, the principal responsible officers of different departments and the managers or vice managers who responsible for the principal operation of provincial branches (including branches at cities under separate planning), who were under employment by the Company on July 1, 2005. An aggregate of 4 million shares was awarded in the initial award of stock appreciation rights, 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 July 1, 2005.

On January 5, 2006, the Board of Directors 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 award 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.

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.

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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.

The Company formulated rules and procedures of shareholders' meetings in 2006.

INVESTOR RELATIONS

On December 26, 2006, the Company successfully completed the initial public offering of A Shares, and the A Shares were listed at Shanghai Stock Exchange on January 9, 2007. As at December 31, 2006, the Company had 28,264,705,000 shares in total, of which there were 7,441,175,000 H Shares and 20,823,530,000 A Shares. Please refer to page 152 of the annual report for details of movement in the Company's share capital, and to pages 39 to 40 for the substantial shareholders of the Company and their shareholding details.

The Company convened general meetings in 2006 including the 2006 Annual General Meeting dated June 16, 2006 and the extraordinary general meetings dated March 16, October 16 and December 29, 2006. Results of shareholder votes at such general meetings have been published in newspapers and on the website of the Hong Kong Stock Exchange.

The Company has taken a series of measures to enhance its relationship 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 at the Company's website and provision of communication channels between investors and the Company, printing brochures, establishing the Investor Relations Department responsible for the investors' relations.

In 2006, the Company communicated with more than 1100 investors and analysts in all kinds of manners, including successful reception at the Company of 175 groups of investors and analysts, 462 persons in total, communicating with about 350 investors by participating in 10 investor's meetings held in and out of China, and meeting or visiting 278 investors in the results release conference and road shows. In addition, we kept close contact with investors' groups by phone and email, and had more than 1400 emails with investors' groups, and answered and replied more than 1900 calls and emails.

The Company was awarded "Excellent Investor Relations Award" in the 2006 IR (Investor Relations) Magazine Chinese Investor Relations Meeting and Award Ceremony held by the IR Magazine. Meanwhile, the Company was nominated for "Best Improvement in Investor Relations (State-owned Enterprise)" and "Best Investor Relations (State-owned Enterprise)", and was awarded first and second runner up subsequently.

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SIGNIFICANT DIFFERENCES IN CORPORATE GOVERNANCE PRACTICES FOR PURPOSES OF SECTION 303A.11 OF NYSE LISTED COMPANY MANUAL

As a Chinese company with H shares, ADS and A shares publicly traded on the Hong Kong Stock Exchange (“HKSE”), New York Stock Exchange (“NYSE”) and Shanghai Stock Exchange (“SSE”), 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, United States and the listing requirements of the HKSE, the NYSE and the SSE that are applicable to the Company. The description set forth below includes, for 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 non-executive directors in accordance with the qualifications provided by relevant PRC and Hong Kong regulations, which prohibit independent 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 HKSE 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 a public announcement of the director’s independence and commitment to duties.

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 60% 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.

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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 and remuneration committee in accordance with the HKSE Listing Rules, comprised of a majority of independent non-executive directors as construed under those rules. The nominating and 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 and remuneration committees of Chinese insurance companies be comprised entirely of non-executive directors with the independent directors as the Chairmen. The Company has complied with the composition requirements of the nomination and remuneration committee as prescribed under the Chinese Insurance Company Corporate Governance Guidelines.

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 HKSE 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 addresses 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 in 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 HKSE 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.

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The Company is required by the China Securities Regulatory Commission (“CSRC”) to disclose in its annual report filed with the CSRC the actual corporate governance practice of the Company as compared with CSRC’s rules on corporate governance of listed companies. Under such rules, the Company is required to disclose the differences between its actual practices and the requirements under such rules, if any. Accordingly, the Company disclosed in its annual report for year 2006 filed with the CSRC that it had established proper and sound corporate governance strictly in accordance with the PRC Company Law and PRC Securities Law as well as relevant rules and regulations, and that there were no significant differences between the Company’s actual corporate governance practices and relevant requirements under CSRC’s rules.

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 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 HKSE 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. Under the Listing Rules of the Shanghai Stock Exchange, any of the directors, supervisors or senior management of the listed company shall not transfer any shares of such company held by him/her within one year of the listing of the company or six months after leaving such company. During his/her tenure at the company, he/she shall not transfer more than 25% of his/her shareholdings in the company within any given year, and shall not purchase or sell any shares of the company within six months of disposing of or purchasing any shares of the 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.