



## 1. CONTINUING CONNECTED TRANSACTIONS

During 2006, the following connected transactions were carried out by the Company pursuant to Rule 14A.34 of the Listing Rules of the Hong Kong Stock Exchange. These connected transactions were subject to reporting and announcement but were exempt from independent shareholders' approval requirements under the Listing Rules.

### (1) Policy Management Agreement

As part of the restructuring, China Life Insurance Company ("CLIC") transferred its entire branch services network to the Company. In order to capitalize on the large customer base of CLIC, increase the utilization of our customer service network and increase our revenue sources, CLIC engaged the Company to provide policy administration services relating to the retained policies ("non-transferred policies") after the restructuring. The policy management agreement entered into between the Company and CLIC on September 30, 2003 expired on December 31, 2005. The Company and CLIC entered into a renewed policy management agreement ("Renewed Policy Management Agreement") on December 24, 2005. Pursuant to the Renewed Policy Management Agreement, the Company agreed to provide policy administration services to CLIC relating to the non-transferred policies, including day-to-day insurance administration services, customer services, statistics and file management, invoice and receipt management, reinstatement of non-transferred policies, applications for and renewal of riders to the non-transferred policies, reinsurance, and handling of disputes relating to the non-transferred policies. The Company acts as a service provider under the agreement and does not acquire any rights or assume any obligations as an insurer under the non-transferred policies. As in the policy management agreement entered into in September 2003, CLIC will pay the Company a service fee based on the estimated cost of providing the services, to which a profit margin is added. The service fee is equal to, for each semi-annual payment period, the sum of (1) the number of non-transferred policies in force as of the last day of the period, multiplied by RMB8.0 per policy; (2) 2.50% of the actual premiums and deposits in respect of such policies collected during the period. The Renewed Policy Management Agreement is valid for a period of 3 years, effective from January 1, 2006 and ended on December 31, 2008. Unless terminated by either party by giving to the other party not less than 180 days written notice prior to the expiry of the agreement, the agreement shall be renewed for a further period of 3 years, subject to compliance with the requirements under the Listing Rules.

For the year ended December 31, 2006, the service fee paid by CLIC to the Company amounted to RMB1,555 million.

### (2) Asset Management Agreements

#### (a) *Asset Management Agreement with China Life Insurance Asset Management Company Limited ("AMC")*

The asset management agreement entered into between the Company and AMC on November 30, 2003 expired on December 31, 2005. The Company and AMC entered into a renewed company asset management agreement (the "Renewed Company Asset Management Agreement") on December 29, 2005. In accordance with the Renewed Company Asset Management Agreement, AMC agreed to invest and manage assets entrusted to it by the Company, on a discretionary basis, subject to the investment guidelines and instructions given by the Company. The Company retains the title of the entrusted assets and AMC is authorized to operate the accounts associated with the entrusted assets for an on behalf of the Company.

## Connected Transactions

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All investment incomes and losses (as the case may be) relating to the assets managed by AMC pursuant to the agreement will be retained and borne by the Company. In consideration of AMC's services in respect of investing and managing various categories of assets entrusted to it by the Company under the agreement, the Company agrees to pay AMC: a fixed service fee and a variable service fee. The fixed service fee is payable monthly and is calculated with reference to the net asset value of the assets in each specified category managed by AMC and the applicable management fee rates pre-determined by the parties on an arm's length basis. The variable service fee equals to 10% of the fixed service fee per annum payable annually. The service fees under the Renewed Company Asset Management Agreement were determined by the Company and AMC based on an analysis of the cost of service, market practice and the size and composition of the asset pool to be managed. The Renewed Company Asset Management Agreement is for a term of two years effective from January 1, 2006 and expiring on December 31, 2007, and subject to compliance with the requirements of the Listing Rules, will be renewed for another one year, unless terminated by either party giving to the other party not less than 90 days' prior written notice to terminate the agreement at the expiration of the current term.

For the year ended December 31, 2006, the Company paid AMC an asset management fee of RMB283 million.

(b) *Asset Management Agreement between CLIC and AMC*

The asset management agreement entered into between CLIC and AMC on November 23, 2003 expired on December 31, 2005. CLIC and AMC entered into a renewed CLIC asset management agreement ("Renewed CLIC Asset Management Agreement") on December 27, 2005. In accordance with the Renewed CLIC Asset Management Agreement, AMC agreed to manage assets entrusted to it by CLIC and invest in securities on behalf of CLIC, on a discretionary basis, subject to the investment guidelines and investment given by CLIC. CLIC retains the title of the entrusted assets and AMC, is authorized to operate the accounts associated with the entrusted assets for and on behalf of CLIC. In consideration of AMC's services in respect of investment and managing various categories of assets entrusted to it by CLIC under the Renewed CLIC Asset Management Agreement, CLIC agreed to pay AMC a service fee at the rate of 0.05% per annum. Such service fee is calculated and payable on a monthly basis, by multiplying the average of balance of book value of the assets under management (after deducting the funds obtained and interests accrued from repurchase transactions) at the beginning and at the end of any give month by the rate of 0.05%, divided by 12. Although the presentation of the service fee rates under the Renewed Company Asset Management Agreement and the Renewed CLIC Asset Management Agreement is difference, the ultimate comprehensive service fee rate calculated under each of these two agreements is basically the same. The Renewed CLIC Asset Management Agreement is for a term of three years, effective from January 1, 2006 and expiring on December 31, 2008. The parties will negotiate the terms of renewal of the agreement 90 days prior to its termination. The Company will comply with the relevant Listing Rules requirements in respect of such renewal.

For the year ended December 31, 2006, CLIC paid AMC an asset management fee of RMB84 million.

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### (3) Property Leasing Agreement

The Company entered into a renewed property leasing agreement (“Renewed Property Leasing Agreement”) with CLIC on December 23, 2005 to renew the property leasing agreement in respect of 963 properties owned by CLIC (“CLIC Owned Properties”) and 707 properties which CLIC is entitled to sublet (“CLIC Leased Properties”). The Renewed Property Leasing Agreement is for a fixed term of one year effective from January 1, 2006 and expiring on December 31, 2006. In relation to the CLIC Leased Properties, the term of such properties would expire at the expiration for the respective head leases, and in any event, would expire on later than December 31, 2006. The annual rent payable by the Company to CLIC in relation to the CLIC Owned Properties is determined by reference to market rent or, where there is no available comparison by reference to the costs incurred by CLIC in maintaining the properties, plus a margin of approximately 5%. The rent in respect of the CLIC Owned Properties was determined by reference to prevailing market rate contained in the valuation report prepared by an independent professional property valuer on December 5, 2005. The annual rent payable by the Company to CLIC in relation to the CLIC Leased Properties will be determined by reference to the rent payable under the head lease plus the actual costs incurred by CLIC in connection with the subletting of the properties. The Company and CLIC entered into a new property leasing agreement on January 4, 2007 for a period of 3 years, commencing on January 1, 2007 and expiring on December 31, 2009. There was no material change to the terms of the renewed agreement. This connected transaction is exempt from reporting, announcement and independent shareholders’ approval requirements under the Listing Rules.

The total property leasing expense charged by CLIC for the year ended December 31, 2006 was RMB168 million.

The Board of Directors has received a comfort letter from the auditors of the Company with respect to the above continuing connected transactions which were subject to the reporting and announcement requirements for the year ended December 31, 2006 and the letter stated that:

- (1) the above continuing connected transactions have been approved by the Board of Directors;
- (2) for transactions involving provision of services by the Group, they are in accordance with the pricing policies of the Company; and
- (3) the transactions have been entered into in accordance with the relevant agreements governing the transactions, the amounts of the transactions have not exceeded the relevant annual caps announced by the Company.

### CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company’s independent non-executive Directors have reviewed the above continuing connected transactions which were subject to reporting and announcement requirements, and confirmed that:

- (1) the transactions were entered into in the ordinary and usual course of the business of the Company;
- (2) the transactions were conducted either on normal commercial terms or on terms that are fair and reasonable so far as our independent shareholders are concerned;
- (3) the transactions were entered into in accordance with the agreements governing those connected transactions; and
- (4) the amounts of the transactions had not exceeded the annual caps announced by the Company.

## Connected Transactions

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### 2. ONE-OFF CONNECTED TRANSACTION

In 2006, the Company's one-off connected transactions includes:

#### (1) Promoters Agreement in relation to the establishment of China Life Pension Insurance Company Limited

In November 2005, China Insurance Regulatory Commission ("CIRC") formally approved the establishment of China Life Pension Insurance Company Limited ("China Life Pension"). China Life Pension is principally engaged in pension insurance and annuity business, individual pension insurance and annuity business, short-term medical insurance business, personal accident insurance, re-insurance in connection with the above insurance businesses, and other fund application permitted under the RPC laws and other business approved by CIRC. On March 21, 2006, the Company, CLIC and AMC entered into a promoters agreement to establish China Life Pension. The registered capital of China Life Pension is RMB600 million, contributed as to 55%, 25% and 20% by the Company, CLIC and AMC, respectively. The Company obtained the insurance business operating license on December 15, 2006, and the certificate of business registration on January 15, 2007. This transaction constituted a connected transaction and was carried out in compliance with the reporting and announcement requirements under Rule 14A.32 of the Listing Rules.

#### (2) Promoters Agreement in relation to the establishment of China Life Property and Casualty Insurance Company Limited

In September 2006, CIRC formally approved the establishment of China Life Property and Casualty Insurance Company Limited ("China Life P&C Company"). China Life P&C Company is principally engaged in property and casualty insurance, liability insurance, credit and guarantee insurance, short-term health insurance, accidental injury insurance, re-insurance in connection with the above insurance businesses, other fund application business permitted under the PRC laws and other business approved by the CIRC. On October 23, 2006, CLIC and the Company entered into a promoters agreement to establish China Life P&C Company. The registered capital of China Life P&C Company is RMB1,000 million, of which 60% and 40% were held by CLIC and the Company, respectively. China Life P&C Company obtained the insurance business operating licence on December 16, 2006 and the certificate of business registration on December 30, 2006. This connected transaction is exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.31 of the Listing Rules.