

# CHAIRMAN'S STATEMENT

Dear Shareholders,

The highest priority of all of the directors and senior managers of China Insurance International Holdings Company Limited ("CIIH" or "the Company") is to create and produce long-term shareholder value to all of our investors and partners. Following CIIH's record-setting year in 2006, in which CIRe produced its highest levels of earnings ever in its history, and TPL and TPI produced profits for the first time ever, many of our shareholders and investors inquired to us whether the results Last Year were only a one-time event, and whether or not they were sustainable. Given the relatively early stages of development of our operations, in particular our Mainland China operations, I regarded such questions from our shareholders and investors as completely fair, reasonable and constructive. I also greatly appreciated such feedback from our friends and partners, and I believed that their communications with us could greatly and positively influence and improve the operations of our Company. In fact, their pointed and direct inquiries formed the basis of our challenge and goals for 2007, and formed the foundation from which all of us at CIIH acted upon throughout the Year.

I am happy and honored to report that CIIH and its subsidiaries produced record results and profits again during the Year, surpassing even the previous-record levels achieved Last Year. With the economy and insurance industries of The People's Republic of China continuing to expand at a rapid pace, the operating results of CIIH have benefited substantially. In 2007, CIIH's gross premiums written and policy fees increased significantly to HK\$17,934.00 million from HK\$12,373.45 million in the Last Year, representing an increase of 44.9%. The increase was mainly due to premium growth in all of our business lines, especially at our life insurance operations at TPL, which produced significant increases in premium income. The net profit attributable to the equity holders for the Year was HK\$1,549.07 million, versus a profit in the Last Year of HK\$510.77 million, representing a tremendous increase of 3.0 times. Both CIRe and TPL produced record profits in 2007, surpassing their previous-record thresholds set Last Year. Although TPI produced a slight loss during the Year, this operating result was due to a strategic decision on the part of senior management to significantly increase the scale and infrastructure of our property and casualty insurance operations in Mainland China. We believe that our efforts this Year will lay down the foundation for the economies of scale necessary for sustainable profitability in the years to come.

In 2007, our reinsurance operation, CIRe, produced record profits. CIRe continued to maintain its leading position in its traditional core markets of Hong Kong & Macau, as well as other countries in the Asian region at reasonable terms and conditions. In Mainland China, CIRe made significant inroads and produced strong growth, making the PRC the single largest market of our reinsurance operation. As such, CIRe's gross reinsurance premiums written increased to HK\$1,681.21 million from HK\$1,541.57 million in the Last Year, representing an increase of 9.1%. 2007 was very similar to 2006 in that there again were no major catastrophes for the global reinsurance industry. In addition, CIRe benefited significantly from strong investment returns during the Year, particularly from the equity markets of Hong Kong. CIRe's net profit attributable to the equity holders of CIIH increased to HK\$579.69 million from HK\$395.66 million in the Last Year, representing an increase of 46.5%.

In 2007, our life insurance operations, TPL, recorded premiums of HK\$16,245.25 million, representing an increase of 50.1% from the HK\$10,823.20 million produced in the Last Year. TPL's strong increase in premium income was driven by our growing individual agency force and the substantial demand from our clients for unit-linked products. The profits attributable to the equity holders of CIIH by TPL was HK\$1,018.06 million, versus the HK\$156.60 million in earnings Last Year, representing an substantial increase of 6.5 times. The tremendous increase in profitability at our life insurance operations was due to the continued expansion of premium income, effective cost controls, and strong returns in the investment portfolio, particularly from the equity markets of the PRC.



馮曉增 Feng Xiaozeng  
董事長 Chairman

各位股東：

中保國際控股有限公司(「中保國際」或「本集團」)全體董事及高層管理人員的首要任務是為我們的所有投資者及合作夥伴創造及帶來長期股東價值。二零零六年，中保國際創造多項紀錄，其中，中再國際的盈利創出新高，太平人壽和太平保險均首次獲得盈利。對此，我們的股東及投資者曾經有所顧慮，二零零六年的業績是否可以持續。鑒於我們的業務，尤其是在中國內地的保險業務，相對尚處於發展初期，我認為股東及投資者提出此等疑問是完全正常、合理及具有建設性的。我也非常感激我們的朋友及合作夥伴能作出此等反饋。我相信這些交流能促進本公司的發展。實際上，他們直接、敏銳的質詢正是構成我們二零零七年良好業績的動力，亦是我們所有中保國際人員一年來致力的成果。

本人欣然呈報，中保國際及其附屬公司年內再次錄得超卓的業績與溢利，並超越了二零零六年所錄得的前紀錄數字。由於中國的經濟及保險業持續快速增長，中保國際的營運業績得以受惠。二零零七年，中保國際之毛承保保費及保單費收入由去年123.7345億港元大幅增加至179.3400億港元，增長44.9%。增加主要是因為我們的業務尤其是太平人壽的人壽保險業務之保費收入錄得強勁增長。股東本年應佔淨溢利為15.4907億港元，而去年為5.1077億港元，增長高達三倍。中再國際和太平人壽於二零零七年均錄得理想溢利，並超越了他們去年的水平。雖然太平保險年內出現輕微虧損，不過，根據太平保險的高級管理層所作出戰略，為了顯著加大中國內地財產保險營運規模及基礎建設實屬難免。我們相信我們今年的努力，會為今後幾年保持持續盈利能力所必需的規模效應奠定基礎。

二零零七年，我們經營再保險業務的中再國際錄得理想溢利。中再國際繼續按合理之條款及條件維持其於香港、澳門之傳統核心市場以及其他亞洲地區國家的領先地位。於中國內地，中再國際業務取得重大進展，增長強勁，並使中國成為我們再保險營運的最大單一市場。故此，中再國際的再保險毛承保保費由去年15.4157億港元增加至16.8121億港元，增長9.1%。二零零七年與二零零六年相似，全球再保險行業沒有遭遇重大災難。此外，中再國際亦顯著受惠於年內強勁的投資回報尤其是香港股市暢旺。二零零七年，中再國際對中保國際股東之盈利貢獻由去年的3.9566億港元增加至5.7969億港元，增長46.5%。

二零零七年，我們經營人壽保險業務的太平人壽錄得保費收入162.4525億港元，較去年108.2320億港元增長50.1%。太平人壽保費收入之強勁增長是受我們個險代理人隊伍的茁壯成長以及客戶對投資連結產品的大量需求所帶動。太平人壽對中保國際股東之盈利貢獻為10.1806億港元，而去年錄得盈利1.5660億港元，增長高達6.5倍。我們人壽保險業務盈利能力的大幅增長乃由於其保費收入持續增長、成本控制得宜及來自其投資組合尤其是中國股市之強勁回報所致。

## CHAIRMAN'S STATEMENT

Other highlights and important events of 2007 included the following:

- The total investment income of CIH recognised in the income statement significantly increased by 179.8% to HK\$6,671.77 million from HK\$2,384.09 million in the Last Year. The increase was primarily due to the strong cash flows from premium growth of the Company's life insurance and reinsurance operations, as well as the positive investment returns from the equity markets in Hong Kong and the PRC. The substantial and highly attractive investment returns achieved during the Year were due in large part to CIH's efforts at further professionalizing and centralizing the Group's investment management operations at CIGAML in Hong Kong (for non-RMB assets) and at TPAM in Shanghai (for RMB assets). Our investment professionals at both CIGAML and TPAM were able to produce index-beating investment returns which were in-line with or even surpassed the investment performance results of some of the world's leading investment houses.
- During the Year, despite there being no major catastrophes over the past two years in 2006 and 2007, CIRE increased its retrocession purchases, which resulted in the relatively slower growth of its net premiums written. Because of the absence of major claims, the reinsurance pricing cycle has continued to soften, along with the demand for more relaxed terms and conditions from our clients. As such, in such an environment, CIRE has adopted a more defensive posture, and believes that the additional reinsurance protection will help to cushion CIRE's underwriting results from the inevitable adverse catastrophic event, whenever it occurs in the future. Such strict discipline and risk management are what has allowed CIRE to be where it is today, and we all believe that such principles will enable our reinsurance operations to continue to do well into the future.
- During the Year, TPL established new branches in seven provinces and major cities in Mainland China. The provinces and major cities were: Hunan, Shanxi, Shaanxi, Yunnan, Jilin, Guangxi and Chongqing. TPL's expansion into these seven areas of Mainland China represents another major step forward in meeting its ultimate objective of having business operations all over the PRC. Although the establishment of these new branches required additional costs and expenses, management of TPL strongly believes that these seven new branches will begin contributing significantly to TPL's premium growth within the next 2 to 3 years. Moreover, further expansion of TPL's infrastructure will enhance the scale of the overall life insurance operations, such that TPL will soon begin benefiting from economies of scale in the short to medium-term. TPL strongly believes that its enlarged branch network will contribute significantly to shareholder value and profitability in the years to come.
- TPL's strong premium growth during the Year was in part driven by substantial demand from our clients for unit-linked products. In 2007, TPL's unit-linked premiums increased to HK\$4,274.36 million from only HK\$31.63 million in the Last Year. With the Chinese government's efforts to cool down inflation and a potentially overheating economy by sharply increasing interest rates, coupled with the second consecutive year of strong appreciation in the domestic A-share equity markets, the demand for investment-related insurance products amongst the people of China has been heightened.

二零零七年的其他主要及重大事項包括以下各項：

- 中保國際於損益表內確認的總投資收入由去年的23.8409億港元大幅增加179.8%至66.7177億港元。增加之主要原因為本公司之人壽保險及再保險業務保費增長所帶來的強勁現金流及由香港和中國股市錄得優異的投資回報。良好的投資收益主要由於中保國際採取措施，對本集團位於香港之中保資產管理(專責非人民幣資產)及位於上海之太平資產管理(專責人民幣資產)的投資管理業務進一步採取專業化及集中管理所致。中保資產管理和太平資產管理的專業投資人員能夠創造優於指數的投資回報，媲美一些世界領先投資機構所錄得的投資表現業績。
- 本年內，儘管二零零六年與二零零七年無重大災難，中再國際仍加大其再保險之轉分保障，導致其自留淨承保保費增長相對放緩。由於未發生重大索賠，再保險定價週期進入軟化階段，同時客戶均提出更為寬鬆的條款及再保險條件要求。故此，在此等環境下，中再國際採取更為防禦性的姿態，並相信額外的再保險保障有助於減輕未來發生不可避免之災難性事件對中再國際承保業績的影響。此等嚴格的規定及風險管理確保中再國際發展至今日之水平，我們都深信此等原則將允許我們的再保險業務持續良好發展。
- 本年內，太平人壽於中國內地七個省份及主要城市設立新的分公司，分別是湖南、山西、陝西、雲南、吉林、廣西及重慶。為太平人壽實現於全中國範圍內經營業務之最終目標又邁進了重要一步。儘管開設這些新分公司需要額外的成本及費用，但太平人壽的管理層堅信上述七家新分公司將於未來兩至三年間開始對太平人壽之保費增長作出顯著貢獻。此外，太平人壽基礎建設的進一步擴張將提高人壽保險經營的整體規模，並促使太平人壽於中、短期內即能開始受惠於規模經濟效應。太平人壽堅信其擴大的分支機構網絡將對未來幾年的股東價值及盈利能力有顯著貢獻。
- 太平人壽於年內的強勁保費增長部份受我們客戶對投資連結產品的大量需求所帶動。二零零七年，太平人壽的投資連結保費由去年3,163萬港元急增至42.7436億港元。由於中國政府努力抑制通貨膨脹，並通過提高利率水平去壓止潛在的經濟過熱現象，加上國內A股市場連續第二年的強勁增長勢頭，國人對投資連結保險產品的需求不斷升高。

## CHAIRMAN'S STATEMENT

2008 will be a critically important operational year for CIH. CIRe's global business will face new challenges over the next twelve months, as the continuing softening of the reinsurance cycle is now occurring in a much more uncertain, difficult and slowing world-wide macroeconomic environment. With financial markets turmoil and economic uncertainties now afflicting several major economies around the world, the primary insurance industries in many of CIRe's geographies may face difficulties in generating attractive, profitable growth. Despite such difficulties in reinsurance fundamentals, CIRe's discipline and persistence in adhering to strict underwriting standards, conservative and prudent investment policies, and world-class corporate governance standards remains unchanged, and we feel confident that CIRe will continue to produce stable and satisfactory results. Moreover, Mainland China is an area of enormous growth potential over the long term for our reinsurance operations. Recently, CIRe received approval to begin preparations for establishing a branch in Beijing, which will be considered as a Chinese owned entity. Such a designation will further facilitate the expansion of CIRe's operations and business in the PRC.

TPL plans to open four more branches in the PRC during 2008 (Xinjiang, Guizhou, Gansu and Neimenggu). With these four branches in operation, which is expected within the first half year of 2008, TPL will have a presence in nearly every single province and major city in the country (except for Tibet, Qinghai, Ningxia and Hainan Island). In 2008, for its existing branch network, TPL will focus on providing full coverage and support throughout its vast, nationwide presence. As such, TPL expects to open a significant number of sub-branches and sales centres throughout the country over the next few months. With the global financial and economic conditions in several major economies becoming even more volatile and uncertain in the first few months of 2008, and with the potential that even China's financial markets and economy may be negatively affected, it is critically important that TPL maintains its flexibility such that it may rapidly take advantage of sudden market movements. It was not possible to foresee or predict the substantial demand in Mainland China for unit-linked products in 2007, and the PRC insurance industry may experience similar substantial changes in 2008. TPL will continue to emphasize product development and risk management in such an uncertain environment to best position itself in the fast-moving PRC life insurance markets.

Because the extraordinary investment gains in 2007 in both the Hong Kong and PRC equity markets are not expected to be repeated in 2008, both CIRe's and TPL's net profit results in 2008 will most likely not reach the same levels as that of 2007. However, both CIRe and TPL do expect a satisfactory performance in both top-line and bottom-line results in 2008, which will form a strong and solid foundation for further, sustainable growth into the future. Overall, long-term, I feel as strongly as ever that the future is bright for all of our operations and businesses at CIH. I feel highly confident that we are beginning to form one of the best financial services companies in the PRC which will deliver attractive and sustainable returns to our shareholders and investors over the long term.

It has truly been an honor for me to lead CIH. My personal ambition, along with all of the senior managers and directors of the Company, is to grow CIH such that it becomes one of the premier financial institutions in the Greater China region, as well as the rest of the world. As such, I have demanded all of the senior managers and directors to adhere to the strictest of quality standards, in operations, corporate governance, investor relations and transparency. Our models and benchmarks are always going to be the best in world-class standards and efficiency, which we must never deviate from. Only with such discipline and dedication can we best serve the interests of our shareholders, and become one of the best companies in the world.

## 董事長報告

二零零八年對於中保國際而言將是至關重要的。中再國際之全球性業務將於未來十二個月面臨新的挑戰，因為再保險進入持續疲軟的週期正遇上一個很不明朗、困難及放緩的全球宏觀經濟環境。由於金融市場波動及經濟前景不明朗正使全球眾多主要經濟體系遭受沖擊，很多中再國際業務所覆蓋地區之保險市場面臨利潤增長之困難。儘管經營再保險之基本因素出現種種難題，中再國際遵循嚴格的承保標準、穩妥與謹慎的投資政策以及世界級的企業管治標準之規定，令我大有信心中再國際將繼續創造穩定及令人滿意之業績。此外，中國內地對我們再保險營運而言，是一個具有長期巨大增長潛力的地區。最近，中再國際獲准在北京開始籌建其被視為中資性質的分公司。此等定性將使中再國際在中國的營運及業務擴張更為便利。

太平人壽計劃於二零零八年在中國增設四家分公司(新疆、貴州、甘肅及內蒙古)。隨著這四家分公司預期於二零零八年上半年內開業，太平人壽將在國內幾乎每個省份及主要城市均設有分支機構(除西藏、青海、寧夏及海南島以外)。二零零八年，對於其現有的分支機構網絡，太平人壽將悉心為其廣闊的全國性佈局提供全面的保障及支援。故此，太平人壽期望於未來幾個月期間在全國範圍內開設一定數量的支公司及營銷服務部。由於二零零八年最初幾個月全球多個主要經濟體系之金融與經濟條件變得不穩定及不明朗，甚至中國金融市場及經濟亦有可能遭受潛在的負面影響，因此對太平人壽而言必須保持靈活性，以便及時利用突發的市場變動機會。二零零七年中國內地對投資連結產品的大量需求是不可預見或預測的，而二零零八年中國保險市場可能經歷類似的巨大變化。在此等不確定的環境下，太平人壽將繼續注重產品開發及風險管理，以使其在快速變化的中國壽險市場上佔優。

由於二零零七年香港及中國股票市場上優異的投資收益預期將無法在二零零八年重復，因此中再國際及太平人壽二零零八年之淨利潤表現將難以達到二零零七年之同等水平。然而，中再國際及太平人壽均預期二零零八年的保費收入及盈利都能有令人滿意的表現，並為將來進一步的持續增長奠定強勁、堅實的基礎。總而言之，長期來看，我極之感到我們中保國際的所有業務前景一片光明。我深信我們正開始建設中國最優秀的金融服務公司之一，並將長期給予股東及投資者驕人、持續的回報。

能夠帶領中保國際，本人深感榮幸。本人與本公司全體高級管理人員及董事的共同願望是推動中保國際成長，使其成為大中華地區乃至世界上最佳的金融機構之一。故此，我要求全體高級管理人員及董事在營運、企業管治、投資者關係及透明度方面堅持最為嚴格的標準。我們必須永不背離追隨世界級標準及效率，使我們擁有最佳的運作模式及基準。只有堅持此等紀律及決心，我們才能為股東帶來最佳的利益，並成為全球高質素的公司之一。

## CHAIRMAN'S STATEMENT

On behalf of all of our senior managers and directors, I would like to wholeheartedly and sincerely thank our shareholders and investors for the trust and support which you have given to us over the past years! During our earliest phases of development, through our public listing and the start of our Mainland China operations, CIIH has worked hard and persevered, even during the most challenging times. Recently, our Company has emerged from our most difficult and challenging initial operational period, and has greatly benefited from robust and healthy economic conditions. It is at such times, however, that it is most important to remember our shareholders and investors, many of whom were with us and supportive of us during our most difficult and challenging period, and whom have persevered along with us. We thank you again for your trust and support, and believe that over the long term, the best is still to come for CIIH! We also look forward to our continued dialogue and communications with you over the near and long term. We believe that your feedback to us, on our strengths, weaknesses, areas to improve on, and the risks and threats to our business lines, are all incredibly helpful in further improving our operations and our strategy, and most fundamentally, helping us to become even more competitive in an ever-increasingly competitive marketplace.

Finally, I would like to commend and recognize the tremendous dedication and hard work of all of CIIH's employees in 2007. Through their tremendous sacrifices and persistence, our Company has reached the position which it is at today. We truly believe that our professionals and employees are our greatest asset, and are the best in China and the world. Although our goals and objectives in 2008 and beyond are challenging, we believe that anything is possible with our people.

Thank you again, and we all look forward to working with you in the years to come!

**Feng Xiaozeng**

*Chairman*

Hong Kong, 18 March 2008

## 董事長報告

本人謹此代表全體高級管理人員及董事，對多年來給予我們信任及支持的股東及投資者致以衷心、誠摯的謝意。自我們創業初期上市及開展中國內地業務以來，即使是在最具挑戰的時期，中保國際始終堅持艱苦奮鬥。最近，本公司已走出最為困難及最具挑戰的經營初階段，並開始從暢旺和良好的經濟環境中獲益。然而，在此等時刻最為重要的是銘記我們的股東及投資者，其中很多在我們最為困難及最具挑戰的時期伴隨及支持我們，並且一直與我們同行。我們再次對閣下的信任及支持表示感謝，並相信長期而言中保國際未來的發展會更加美好。我們亦期望保持與閣下的對話及交流。我們相信閣下對我們實力、弱點、有待改進之處以及各業務種類所面臨的風險及威脅之反饋，能大力幫助我們進一步改善營運及策略，並從根本上幫助我們在競爭日益加劇的市場上更具競爭力。

最後，本人亦對全體中保國際員工於二零零七年的無私奉獻及辛勤勞動表示贊許與感激。正是由於他們的巨大犧牲及堅持不懈，本公司才得以達到今日之地位。我們深信我們的專業人員及廣大員工是我們最大的財富，亦是中國乃至全球最高質素的人才。儘管我們二零零八年及未來的目標和計劃頗具挑戰性，我們相信憑藉我們的員工任何目標都有可能達成。

再次感謝閣下，我們都期望未來能再與閣下一同合作。

董事長  
馮曉增

香港，二零零八年三月十八日