

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my personal mission, along with that of all of the directors and senior managers of China Insurance International Holdings Company Limited ("CIH" or "the Group"), to create and produce long-term shareholder value to all of the investors and partners of the Group. It is my honor and pleasure to report to you that all of the major operating businesses of CIH — reinsurance, life insurance, property and casualty insurance and asset management — achieved their operating benchmarks for 2006, and all continued to make significant inroads in meeting their long-term objectives of enhancing shareholder value! With the economy and insurance industry of the People's Republic of China continuing to expand rapidly during the Year, along with positive performances in major economies and financial markets all over the world, the operating results of CIH have benefited substantially. I am happy and honored to report that CIH and its subsidiaries produced strong results during the Year, and remain on track to fulfilling our long-term development plans!

In 2006, CIH's gross premiums written and policy fees increased significantly to HK\$12,373.45 million from HK\$8,611.67 million in the Last Year, representing an increase of 43.7%. The increase was mainly due to the strong premium growth in all of our business lines, especially at our life insurance operation, TPL. The net profit attributable to the equity holders for the Year was HK\$510.77 million, versus a loss in the Last Year of HK\$433.76 million. As we have consistently stated to our investors over the years, the consolidated operating losses of previous years were in-line with our expectations, as our Mainland China operations at TPL and TPI are still in their early stages of development. During this Year, both TPL and TPI have achieved our ambitious and strategic objective of achieving breakeven in their respective fifth full years of operations (usually, start-up insurance operations require six to eight years before breaking even). Their operating profits in 2006, in addition to very strong results at CIRe, were behind CIH's positive consolidated net earnings.

In 2006, our PRC life insurance operation, TPL, recorded premiums of HK\$ equivalent of HK\$10,823.20 million, representing an increase of 47.2% from the HK\$ equivalent of HK\$7,351.09 million produced in the Last Year. Our associated company in the PRC property and casualty insurance industry, TPI, recorded premiums of HK\$ equivalent of HK\$2,000.42 million, representing an increase of 51.2% from the HK\$ equivalent of HK\$1,323.13 million produced in the Last Year. More importantly, the profits attributable to the equity holders of CIH by TPL and TPI were HK\$156.60 million and HK\$3.37 million, respectively, versus losses of HK\$159.29 million and HK\$52.99 million, respectively, in the Last Year. TPL's and TPI's strong earnings performances were due to their continued expansion of premium income, effective cost controls, and strong returns in their respective investment portfolios, particularly from the equity markets of the PRC.

In 2006, our HK reinsurance operations, CIRe, produced record profits. CIRe continued to maintain its core position in the Asian markets at reasonable terms and conditions, and in some instances was able to increase its involvement and increase its share of business. As such, CIRe's gross reinsurance premiums written increased to HK\$1,541.57 million from HK\$1,256.40 million in the Last Year, representing an increase of 22.7%. Whereas 2005 was one of the most difficult years in history for the global reinsurance industry with catastrophic losses at unprecedented levels, in 2006 there were no major catastrophes hitting the insurance markets. In addition, CIRe benefited significantly from strong investment returns, particularly from the equity markets of Hong Kong. CIRe's net profit attributable to the equity holders of CIH increased to HK\$395.66 million from HK\$73.61 million in the Last Year, representing a more than five times increase.

Other highlights and important events of 2006 included the following:

- The total investment income of CIH recognised in the income statement significantly increased by 192.7% to HK\$2,384.09 million from HK\$814.57 million in the Last Year. The increase was primarily due to the strong growth of the Group's life insurance and reinsurance operations, as well as the positive investment returns from global equity markets, particularly in the PRC and in Hong Kong. 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).
- During the Year, CIRe produced very strong underwriting profits, which increased to HK\$61.51 million from HK\$8.74 million in the Last Year representing a very impressive combined ratio of 95.0% (2005: 99.2%).

董事長報告



馮曉增 Feng Xiaozeng
董事長 Chairman

各位股東：

本人及中保國際控股有限公司(「中保國際」或「本集團」)的全體董事及高層管理人員的共同使命是為本集團之所有投資者及合作夥伴創造及帶來長期股東價值。本人謹此欣然向閣下呈報，中保國際的主要營運業務(再保險、人壽保險、財產保險及資產管理)均達致彼等二零零六年之經營目標，並且在提升股東價值之長期目標方面取得重大進步。由於中國經濟及保險業於年內持續快速增長，加上全球主要經濟體及金融市場表現正面，中保國際的營運業績得以受惠。本人欣然呈報，中保國際及其附屬公司年內取得強勁業績，並符合我們的長期發展計劃之進度。

二零零六年，中保國際之毛承保保費及保單費收入由去年86.1167億港元大幅增加至123.7345億港元，增長43.7%。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5.1077億港元，而去年為虧損4.3376億港元。正如我們過往不斷向投資者表示，由於我們在中國內

地的太平人壽及太平保險尚處於發展初期，故往年錄得綜合經營虧損實屬預期之中。本年度太平人壽及太平保險均實現我們極為進取的策略性目標即於彼等各自第五個完整營運年度達致收支平衡(通常新開業保險公司需六至八年方可達致收支平衡)。太平人壽及太平保險於本年度的經營盈利，連同中再國際的理想業績，均對中保國際於二零零六年之綜合淨利潤提供貢獻。

二零零六年，我們位於中國經營人壽保險的太平人壽錄得保費收入108.2320億港元，較去年73.5109億港元，增長47.2%。我們位於中國經營財產保險的聯營公司太平保險錄得保費20.0042億港元，較去年13.2313億港元，增長51.2%。更為重要者，本年度太平人壽及太平保險對中保國際股東之盈利貢獻分別為1.5660億港元及337萬港元，而去年他們分別錄得虧損1.5929億港元及5,299萬港元。太平人壽及太平保險錄得強勁盈利表現，乃由於其保費收入持續增長、採取有效成本控制及各自之投資組合尤其是來自中國股市之強勁回報所致。

二零零六年，我們位於香港經營再保險業務的中再國際錄得創紀錄溢利。中再國際繼續按合理之條款及條件維持其於亞洲市場之核心地位之餘，更加大了參與力度，擴大了業務份額。故此，中再國際的毛承保保費由去年12.5640億港元大幅增加至15.4157億港元，增長22.7%。二零零五年是全球再保險行業最艱辛的年度之一，災難性損失達致史無前例水平，而二零零六年年內並無重大災難打擊保險市場。此外，中再國際亦受惠於強勁的投資回報尤其是香港股市。二零零六年，中再國際對中保國際股東之盈利貢獻由去年的7,361萬港元增加至3.9566億港元，增長逾五倍。

二零零六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8.1457億港元大幅增加192.7%至23.8409億港元。增加之主要原因為本集團之人壽保險及再保險業務強勁增長及由全球股市尤其是中國及香港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專業化及集中管理所致。
- 本年內，中再國際取得非常強勁的承保溢利，由去年的874萬港元大幅增加至6,151萬港元，相當於綜合成本率95.0%(二零零五年：99.2%)。

CHAIRMAN'S STATEMENT

- TPL's strong premium growth during the Year was mainly driven by the strong performance of the bancassurance channel, in which premiums increased by 49.3% to HK\$7,902.65 million from HK\$5,294.83 million in the Last Year. The premiums distributed through individual agents also experienced significant growth during the Year. In addition to increasing top-line premium growth, TPL also managed to increase the sales proportion of its regular premium products. TPL's long-term strategy is to gradually increase the proportion of regular premium products in its overall sales, as regular premium products have relatively higher actuarial profit margins. In 2006, regular premium products accounted for 96.2% (Last Year: 93.2%) of the total premiums produced by individual agents. Regular premium products in the bancassurance channel also recorded a significant increase of 100.4% to HK\$854.38 million from HK\$426.33 million in the Last Year. The higher proportion of regular premium products significantly enhances the quality and value of TPL's premium income from an actuarial, profit margin perspective.

2007 will be a critically important year for CIH. After accomplishing its ambitious strategic objective of breaking even in its fifth full year of operations and delivering a very positive result in 2006, TPL is set to begin its next phase of development for the coming years. TPL plans to further develop its individual life business by recruiting more agents. TPL will also continue to enhance its bancassurance operations by exploring closer working models with its bancassurance partners. In the year ahead, TPL will add seven new branches in major provincial cities as well as further expand its sub-branches network to include areas with strong insurance potential. Because of the need for further investment in expanding the branch network and individual agency force, as well as several other important operational measures, and because it may be very likely that the above-average investment returns produced in 2006 may not be replicated in 2007, the profitability of TPL in 2007 may not reach the levels achieved in 2006. However, the planned expansion and further bolstering of TPL's services platform will produce a very strong and solid foundation for the future. It is anticipated that these initiatives will substantially enhance CIH's shareholders' value and profitability over the long term.

For the reinsurance operations at CIRe, entering into the January 2007 renewal season, the global reinsurance markets have been stable. CIRe is continuing to expand into the Mainland China insurance markets through two representative offices in Beijing (CIRe's) and Shanghai (CIH's). CIRe believes that its growth prospects in Mainland China are very attractive, especially since CIRe possesses certain competitive advantages in this market relative to its peers. CIRe expects to produce solid results in 2007 in the absence of any unexpected market events.

Regarding the Group's overall investment portfolio returns, while it may be unlikely that the significantly-above-average investment returns in 2006 will be sustainable annually into the future, CIH's focus on developing strong investment operations with proper asset liability matching will allow the Group and its various operations to produce sustainable, attractive and stable investment returns on a yearly basis. This will continue to be a priority of CIH in the years to come.

It is my great honor to lead CIH. All Directors and Senior Managers of CIH share my goal and aspiration to have CIH become not only one of the best financial institutions in the Greater China region, but also one of the best in the entire world. We truly recognize that such a goal is very ambitious and challenging; but we also believe that it is achievable. In order to become one of the best in the world, CIH must not only continue to grow its operations and businesses in size, but also in quality. And, such quality must be present throughout our entire organization, especially in the Group's standards of corporate governance, transparency, and investor relations, which must be at world-class levels. We certainly owe this to our shareholders and our business clients, as well as to ourselves. I personally intend to push our Directors and Senior Managers of all of our business lines to do what is best for our shareholders in every decision and action that they take. I will only accept actions and deeds of the highest integrity. By having such standards, CIH will have the foundation to become one of the best companies in the world, admired by all.

On behalf of all of our Senior Managers and Directors, I would like to express my most sincere of gratitude and appreciation for all of your support over the past years! Many of our investors and shareholders have been strong supporters of us ever since we first became publicly-listed and first began operations in Mainland China. Our growth and development since then has been both substantial and rewarding, and I truly believe that the best is yet to come! I would also like to thank all of the Company's employees for their hard work and dedication in 2006. We truly believe that our Company has the best professionals and people! Our managers and employees are our most important assets; with them, we believe that our ambitious initiatives in 2007 and beyond are readily achievable.

Feng Xiaozeng
Chairman

Hong Kong, 26 March 2007

董事長報告

- 太平人壽於年內的強勁保費增長主要受銀行保險分銷渠道的強勁表現所帶動，該分銷渠道的保費由去年的52.9483億港元增加49.3%至79.0265億港元。由個人代理分銷的保費年內亦錄得顯著增長。除提高保費營業額增長外，太平人壽亦提高其期繳保險產品之銷售比重。太平人壽的長期策略是逐步提高其期繳保費產品在其整體銷售中的比重，因期繳保費產品含有以精算方法計算相對較高的邊際利潤。二零零六年，期繳保費產品佔個人代理分銷總保費的96.2% (去年：93.2%)。銀行保險分銷渠道的期繳保費產品亦錄得高達100.4%的增長，由去年4.2633億港元增至8.5438億港元。期繳保費產品比重的提高令太平人壽的保費質素、價值和按精算法計算的邊際利潤都得以大幅提升。

二零零七年對於中保國際而言將是非常重要的。繼實現了其第五個完整營運年度達致收支平衡策略目標及於二零零六年提供非常優越的業績後，太平人壽未來幾年將開始進入其第二個發展階段。太平人壽計劃透過增聘代理進一步發展其個人代理分銷的人壽保險業務。太平人壽亦將繼續透過尋求與銀行保險分銷夥伴的更緊密合作以擴大其銀行保險分銷業務。進入新一年，太平人壽將在全國主要省級城市增開七家分公司，同時會進一步擴大其支公司網絡，將具有強勁保險潛力的地區囊括在內。鑒於需要進一步投資，以擴大分支網絡及個人代理隊伍，以及採取其他重要營運措施，況且，二零零六年超乎一般的投資回報並不一定在二零零七年重覆，太平人壽於二零零七年的盈利能力可能不會達到二零零六年取得的水平。然而，此項擴張計劃將會為未來發展奠定非常堅固的基礎。該等措施長遠而言將會大幅提高中保國際的股東價值及盈利能力。

就中再國際的再保險業務而言，進入二零零七年一月份的續期後，全球再保險市場表現仍屬穩定。中再國際通過北京(中再國際)及上海(中保國際)的兩個代表處，致力擴展中國內地保險市場。中再國際相信，其中國內地的增長前景非常吸引，尤其因為中再國際相對其同業公司於該市場擁有獨特的競爭優勢。如無任何突發的市場事件，中再國際預期於二零零七年可取得良好的業績。

關於本集團的整體投資組合回報，雖然未來年度不一定重復二零零六年異常良好的投資回報，但中保國際專注於資產負債匹配恰當的投資組合，令到本集團及其各項業務每年均可產生持續、驕人及穩定的投資回報。未來年度這仍將是中保國際的重點策略。

能夠帶領中保國際，本人感到十分榮幸。中保國際全體董事及高級管理人員與本人的共同目標及心願是中保國際不單只成為大中華地區最高質素的金融機構，而且將成為全球最高質素的金融機構。我們非常明白，此等目標非常進取並富挑戰性，但我們相信這目標是可達成的。為成為全球最高質素的金融機構，中保國際必須持續擴大公司規模及業務規模，而且亦須注重質素。該等質素標準必須在整個機構推行，尤其是本集團的企業管治、透明度及投資者關係水平必須達到世界級。我們須依賴我們的股東及客戶及各級人員才能實現該等目標。本人一直推崇我們各級機構的董事及高級管理人員在作出每個決定及採取每個行動時均以股東利益為本。本人只接受具最高誠信的行為。擁有該等水平和標準，中保國際將有實力成為全球最高質素及受人欣賞的公司之一。

本人謹此代表全體高級管理人員及董事對閣下多年來給予的全力支持表示真誠謝意。很多投資者及股東自從本公司上市及開展中國內地業務以來一直對本集團鼎力支持。這段日子以來，我們有着顯著的增長及發展，令人欣慰。本人亦深信，未來的發展會更加美好。本人亦藉此機會向本公司全體員工於二零零六年的辛勤勞動及奉獻表示感謝。我們深信，我們擁有高質素的專業人員及廣大員工。我們的管理人員及廣大員工是我們最重要的資產；藉着他們，我們確信二零零七年及未來的積極措施和計劃將會一一兌現。

董事長
馮曉增

香港，二零零七年三月二十六日