

# CHAIRMAN'S STATEMENT

Dear Shareholders,

This 2005 annual report of China Insurance International Holdings Company Limited is my first as the Chairman of CIIH. I am truly honored and grateful to be leading CIIH, and I am very excited about the Company's prospects and initiatives in the years to come. My predecessor, Mr. Yang Chao, and our former Chief Executive Officer, Mr. Miao Jianmin, have laid a solid foundation for CIIH, which we will build upon in the years to come. We greatly appreciate the contributions and dedication of Mr. Yang and Mr. Miao. Our new Chief Executive Officer, Mr. Kenneth Ng, possesses substantial experience and has been with CIIH and/or its subsidiaries for his entire nearly forty-year career. Our core management team, philosophy and strategy remain strong and unchanged. Such unique loyalty, dedication and experience will further help the Company in our various ambitious endeavours. In essence, we will continue doing what we have done in the past, but will try to improve on ourselves for the future. We believe that such an attitude will bring strong and positive results for all concerned!

In 2005, CIIH's turnover increased by 17.8% to HK\$8,611.67 million, while losses attributable to shareholders increased to HK\$433.76 million. These consolidated results were in line with expectations. As expected, TPL and TPI produced net operating losses in 2005, as both operations are still in their early stages of development. With our Mainland operations further expanding during the Year, the net operating loss of TPI increased over that of Last Year, while the operating loss of TPL slightly decreased over that of Last Year. The decrease in net income was also due to lower profit contributions from CIRe, as well as the recognition of a goodwill impairment related to CIIH's acquisition of CIGAML back in 2002.

2005 was one of the most difficult years in history for the global reinsurance industry. The catastrophic losses from Hurricane Katrina, which devastated the New Orleans region of the United States, in addition to the losses from other hurricanes and flooding events elsewhere during the Year, was the highest in history. Despite this unfavorable environment, our core reinsurance business at CIRe again produced satisfactory results. Reinsurance revenues were HK\$1,256.40 million, representing an increase of 15% over that of Last Year. Although net income was HK\$73.61 million, decreasing 62.8% over that of Last Year, such a result must be considered highly satisfactory given the losses experienced in the global primary insurance and reinsurance industries. Our subsidiary in the PRC life insurance industry, TPL, in only its fourth full-year of operations, recorded premiums of HK\$ equivalent of HK\$7,351.09 million while our associated company in the PRC property and casualty insurance industry, TPI, recorded premiums of HK\$ equivalent of HK\$1,323.13 million, representing increases of 18.3% and 51.5%, respectively, over that of Last Year. Such strong growth rates in our PRC operations is in line with our expectations, and we believe that the operating conditions for insurers in Mainland China will continue to be positive.

Other highlights and important events of 2005 included the following:

- Despite the new world-record loss amounts from Hurricane Katrina and the occurrences of a number of other hurricanes or flooding events in different parts of the world, due to its prudent underwriting strategy and strict risk accumulation controls, CIRe was able to shoulder and absorb the high frequency, serious catastrophic losses during the Year. The effective retrocession arrangements which diluted the loss impact of Katrina and other major loss events, as well as the positive development of CIRe's prior year loss development has enabled CIRe to achieve a marginal underwriting profit of HK\$8.74 million (2004: HK\$25.83 million) and maintain its net combined ratio below 100% at 99.2% (2004: 97.2%). In light of the higher than normal catastrophic losses in the reinsurance industries in 2005, the captioned underwriting result, although lower than that of the previous year, is considered acceptable.
- During the year, CIRe made an extra tax provision for an amount of HK\$35.00 million for the potential tax exposure on offshore investment income in prior years. CIRe believes that this provision is in line with the tax laws of Hong Kong and is sufficient for such purposes.

## 董事長報告



馮曉增 Feng Xiaozeng  
董事長 Chairman

各位股東：

二零零五年年報是自本人出任中保國際控股有限公司董事長後的第一份年報，能夠帶領中保國際，本人感到十分榮幸。對於公司未來的前景和計劃，本人感到非常振奮。本人的前任楊超先生和前任之行政總裁繆建民先生為中保國際的發展奠定了堅實的基礎，我們非常感謝楊先生和繆先生付出的努力和貢獻。新任的行政總裁吳俞霖先生在中保國際及其子公司服務近四十年，具有豐富的經驗。我們的核心管理團隊、經營理念和戰略一樣堅定，擁有一支忠誠、專注和富有經驗的管理團隊將促使公司在未來各種舉措中取得成功。總而言之，我們將一如既往，並不斷努力改進自己以迎接未來。我們相信，貫徹既定的方針政策將為各方帶來正面及良好的成果。

中保國際的二零零五年營業額增加17.8%，達86.1167億港元，股東應佔虧損為4.3376億港元，此綜合業績與預期相符。由於太平人壽及太平保險二零零五年仍處於業務發展初期，所以產生了淨營運虧損。鑒於在中國內地的業務於年內迅速擴展，故太平保險的淨營運虧損較去年高，而太平人壽的淨營運虧損則較去年略為下降。而中再國際利潤貢獻有所縮減及本公司對二零零二年收購中保資產管理所產生的商譽作出減值，都造成了淨收入的減少。

二零零五年是全球保險業較為艱辛的一年，摧毀美國新奧爾良地區的卡特蓮娜颶風造成的災難性損失，以及年內發生的其他颶風和水災造成的巨大損失，是歷史上最嚴重的。雖然處於這樣不利的環境，中再國際的核心再保險業務仍然創出滿意業績。再保險營業額達12.5640億港元，比去年增長了15%。儘管淨收入為7,361萬港元，比去年下降62.8%，但在全球保險、再保險行業都蒙受巨大損失的情況下，此項業績可算令人滿意。我們在中國境內經營壽險的子公司太平人壽，在開業短短第四整年裏，保費收入已錄得相當於73.5109億港元，而另一中國境內經營財產及傷亡保險的聯營公司太平保險，保費收入錄得相當於13.2313億港元，比去年分別增加了18.3%和51.5%。中國境內業務的強勁增長符合我們的預期，我們亦相信中國大陸保險公司的營運環境將繼續保持良好。

二零零五年業務重點包括以下各項：

- 儘管颶風卡特蓮娜及在世界各地發生的其他一系列的颶風和水災等等巨災所造成的損失金額成為全球新記錄，由於中再國際採取的審慎的承保策略和嚴格的風險累積控制，所以能夠承擔並消化了年內發生之高頻率、嚴重的巨災損失。有效的分保安排攤薄了卡特蓮娜和其他巨災所造成的影響，況且中再國際過往年度業務賠付情況有所改善，使中再國際仍錄得微薄的承保利潤874萬港元（二零零四年：2,583萬港元），並將淨綜合成本率保持在100%以下的99.2%（二零零四年：97.2%）。鑒於二零零五年再保險市場的巨災損失較正常為高，儘管上述承保業績低於去年，仍屬可接受水平。
- 中再國際於年內因過往幾年的離岸投資收入之可能稅務承擔作出了3,500萬港元的額外稅項撥備。中再國際相信此撥備附合香港稅務條例及足夠應付該等稅務風險。

## CHAIRMAN'S STATEMENT

- CIIH's annual test on goodwill indicated that the Group was required by the accounting standards to recognise an impairment of HK\$250.00 million in goodwill associated with the acquisition of CIGAML (the operating company for the assets management business in Hong Kong) in September 2002. The directors of CIIH continues to believe in the long-term prospects of the assets management industry in Hong Kong and Mainland China. However, recently, due to changes in regulations and policy in Mainland China, CIGAML's initiatives to profitably access the vast potential of the said industry in Mainland China has faced uncertainties. These uncertainties, together with the unexpected decision by a significant client (which accounted for a major portion of CIGAML's assets management income) to redeem a significant portion of its funds, has led the Board to conclude that the short-term prospects of CIGAML will be less than expected. Therefore, the Board has decided to recognise an impairment of the goodwill. The decision to recognise an impairment of goodwill is an accounting issue and will only affect the accounting profit and loss of CIIH; the cash flows of the Company will not be affected by this decision. The decision to recognise the impairment of goodwill is in the best interests of CIIH's shareholders, and demonstrates the management's dedication and adherence to the strictest dictates of accounting principles, corporate transparency and best practices.
- During the Year, in accordance with its business plan, TPL has slowed down its establishment of new branches and has focused on maximizing the sales potential of its existing nationwide network. After three years of rapid expansion of its branch network, TPL now has 22 branches in major cities in China, as well as 215 sub-branches and marketing centres in different townships throughout the country. These sub-branch and marketing centre openings completed the first phase of TPL's network expansion and are expected to form a solid platform for rapid growth in business development in 2006.

2006 will be a critically important year for CIIH. The entire economy of China is continuing to expand at a healthy rate, and the insurance industry is likewise developing in a positive manner. CIIH's Mainland China operations, TPL and TPI, both will continue to strive for higher market shares in this environment. In 2006, however, both TPL and TPI will be focusing primarily on achieving break-even in their operating results. Since their inception and commencement of operations in 2001, both TPL and TPI have sustained yearly operating losses. It has been the strategic goal of CIIH and the board of directors of both TPL and TPI for both operating companies to break even in 2006. Therefore, while market expansion and further growth of the life and property/casualty insurance operations will be pursued, management focus on improving operating efficiencies will be prioritised. The management of the Group, TPL and TPI understand that achieving breakeven for the insurance companies in their only fifth full year of operations is an ambitious goal, as internationally insurance companies usually break even only in the seventh year of operations, but will strive to achieve the breakeven goal with their best respective endeavours.

For the reinsurance operations at CIRE, the catastrophic events of Last Year have created an environment in which demand for reinsurance products and services have increased. The management of CIRE believes that CIRE can continue delivering satisfactory and stable profitability to CIIH and its shareholders in the years to come.

It is my great honor to lead CIIH. I truly believe that CIIH is on the path to becoming one of the premier Chinese financial institutions involved in Greater China and the world. As part of our service to CIIH's shareholders, I personally intend to continue our organisation's strict dedication to corporate governance, transparency and investor relations of the highest world-class levels. I will firmly require our senior managers 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. Only in so doing will CIIH become a great company.

On behalf of all of our Senior Managers and Directors, I thank you for your trust and support! I sincerely believe that CIIH's prospects in the near future are very promising, and that the Company will significantly enhance shareholders' value in the years to come! I would also like to thank all of the Company's employees for their hard work and dedication in 2005, and for their continued strength and resolve in the year to come. With a united approach among all of our managers and employees, our ambitious goals in 2006 are readily achievable.

**Feng Xiaozeng**  
*Chairman*

Hong Kong, 7 April 2006

## 董事長報告

- 中保國際於年度商譽減值測試結果顯示，本集團須根據會計準則之規定，就二零零二年九月收購中保資產管理時產生之商譽作出2.5億港元的減值。董事會繼續相信香港及中國大陸之資產管理行業之長遠前景，然而，由於最近中國大陸之規定及政策有所改動，中保資產管理有意在中國大陸有利可圖地進軍上述該具有優厚潛力行業之計劃變得不明朗。在該等不明朗因素下，加上一個主要客戶(佔中保資產管理大部份資產管理收入)突然贖回其大部份基金，導致董事會認為中保資產管理之短期前景將低於預期之水平。因此，董事會決定作出上述的商譽減值。商譽減值的決定乃基於會計考慮，只會影響本集團會計賬上的損益，本集團之現金流量將不受該決定影響。該商譽減值的決定符合中保國際股東的最佳利益，顯示了管理層堅持及嚴格遵守會計準則、公司透明度及最佳操作守則。
- 於年內，根據業務發展計劃，太平人壽已減慢設立新分公司之速度，並集中擴大其既有之全國網絡之潛在銷售能力。太平人壽經過三年迅速發展分支網絡後，現時在中國各主要城市設有22家分公司，並於全國不同城鎮設有215家支公司及市場推廣中心，該等支公司及市場推廣中心之啟用，完成了太平人壽之第一期網絡拓展計劃，預期為於二零零六年業務快速增長奠下穩固基礎。

二零零六年對於中保國際來說是極其重要的營運年度。中國整體經濟繼續穩健發展，保險業亦同樣積極地增長。中保國際於內地營運的太平人壽和太平保險，在此有利之市場環境下將會繼續致力提升市場佔有率。然而，在二零零六年，太平人壽和太平保險將專注於達到營運收支平衡。自從兩家公司自二零零一年成立並開始營運，太平人壽和太平保險每年都錄得營運虧損，無論中保國際還是太平人壽和太平保險的董事會，二零零六年的策略目標是要兩家太平公司達致營運收支平衡。因此，除了擴大人壽保險及財產／傷亡保險市場份額及業務增長，管理層將優先專注於改善營運效率。本集團、太平人壽和太平保險的管理層一致認為，要在保險企業開始營運後的第五整年內達至收支平衡是非常大的挑戰，國際上的保險公司一般只能在開始營運七年後才達致收支平衡，我們將竭盡全力去達到收支平衡的目標。

對於中再國際的再保險業務來說，去年的巨災增加了對再保險產品和服務的需求。中再國際的管理層相信，中再國際在未來仍然能夠繼續向中保國際及其股東提供理想及穩定的利潤。

能夠帶領中保國際，本人深感榮幸。本人確信中保國際正逐步邁向成為大中華區及全球內一家卓越的中國金融機構。作為對中保國際股東服務的一份子，本人願意繼續致力於提高我們的企業管治能力、透明度和投資者關係以達到世界級水平。本人將堅定地要求我們的高級管理人員必須基於股東的最佳利益來做出決定和採取行動，本人將只接受最高誠信的表現和行為，只有這樣，中保國際才會成為一家傑出的企業。

本人謹代表全體高級管理人員及董事，向閣下的信賴和支持表示謝意！本人深信中保國際的前景一片光明，公司在未來將大幅提升股東價值！同時，本人亦藉此對公司全體員工於二零零五年的努力工作和貢獻，表示感謝。在我們管理人員和員工的團結一致下，我們一定能達到二零零六年的目標。

董事長  
馮曉增

香港，二零零六年四月七日