

MANAGEMENT REVIEW AND ANALYSIS

CONSOLIDATED FINANCIAL PERFORMANCE

For the year ended 31 December 2004, total turnover for the Group was HK\$7,345.18 million (2003: HK\$4,329.96 million), representing an increase of 69.6% compared with that of Last Year. Profit from operations was a loss of HK\$121.55 million (2003: profit of HK\$162.49 million). Loss attributable to shareholders of the Group amounted to HK\$22.94 million (2003: profit of HK\$140.75 million). Basic loss per share was HK1.7 cents (2003: basic earnings per share of HK10.6 cents) and diluted loss per share was HK1.7 cents (2003: diluted earnings per share of HK10.5 cents).

The increase in total turnover during the Year was mainly due to the continued stability of reinsurance premium income at CIRe and the continued strong growth in life insurance premium income in Mainland China at TPL. The fall in profit attributable to shareholders was primarily due to the net operating losses at TPL and TPI. These losses were incurred because TPL's and TPI's life and general insurance operations, respectively, are still in their initial stages of development. TPL and TPI also incurred additional expenses from establishing new branches and sub-branches. Lower underwriting profitability at CIRe also contributed to the decrease in profit attributable to shareholders, as well as lower earnings at CIGAML and increased interest expenses due to the first full year of interest expenses from CIH's 2003 debt offering.

OPERATIONAL REVIEW

Reinsurance Underwriting – CIRe

The favourable, "hard" pricing environment in the global primary and reinsurance markets has now lasted for almost four years. After the past few years of price increases and the stiffening of terms and conditions since 2001 without any occurrence of major losses or disasters on a worldwide scale, the global insurance markets are now beginning to enter into the latter stages of the upwards cycle. In 2004, both primary and reinsurance markets generally experienced flat premium rating levels, with signs beginning to emerge of premium rate reductions. The "softening" of price levels and reinsurance contract terms less favourable to reinsurers was more obvious in Asian markets where competition in certain lines of business, such as property insurance, intensified.

In anticipation of the gradual, but inevitable, end of the hard pricing cycle, CIRe in the past two years has completed a re-underwriting exercise on its reinsurance portfolio and has selectively pruned off more than one-tenth of its business. The reinsurance business to be discontinued were policies which CIRe believed would not be able to sustain their current levels of underwriting margin and would not be able to meet with CIRe's underwriting standards when the reinsurance pricing cycle turns soft. The senior managers and directors of CIRe believe that such a re-underwriting approach is an important strategy critical to maintaining a sustainable underwriting profit. Such an approach is in line with the long standing policy of the Group to emphasize bottom-line net income, instead of simply focusing on top line premium income volume.

During the Year, CIRe's non-life reinsurance premium written amounted to HK\$1,085.06 million (2003: HK\$1,172.41), representing a reduction of 7.5% compared to that of Last Year. This decrease in premium income was the first premium contraction for CIRe since 1999. Including its small book of life reinsurance, CIRe's overall life and non-life gross reinsurance premium income written for the Year amounted to HK\$1,092.46 million, a reduction of 7.4% compared with the HK\$1,179.62 million written in 2003. The net retained non-life reinsurance premium was HK\$905.23 million (2003: HK\$966.47 million), amounting to a premium retention ratio of 82.8% (2003: 81.9%).

管理層回顧和分析

綜合財務表現

截至二零零四年十二月三十一日止十二個月，本集團的總營業額為73.4518億港元(二零零三年：43.2996億港元)，較去年增加69.6%。經營溢利則為虧損1.2155億港元(二零零三年：溢利1.6249億港元)。本集團股東應佔溢利則為虧損2,294萬港元(二零零三年：溢利1.4075億港元)。每股基本虧損為1.7港仙(二零零三年：每股基本盈利10.6港仙)，每股攤薄虧損則為1.7港仙(二零零三年：每股攤薄盈利10.5港仙)。

本年度總營業額的增加主要是由於中再國際再保險保費收入持續平穩，而太平人壽在中國大陸的人壽保險保費收入保持有強勁的增長所致。股東應佔溢利之下跌主要是來自太平人壽及太平保險的營運淨虧損。此等虧損產生是由於太平人壽及太平保險在人壽業務及一般保險業務仍屬初期發展階段，而太平人壽及太平保險開展新公司及分行須支付額外支出。而中再國際的承保利潤較低、中保資產管理利潤下降及首年全年度列支二零零三年發債利息支出均造成股東應佔溢利降低。

營運回顧

再保險承保 — 中再國際

全球直接保險和再保險市場有利或「堅挺」定價的環境已維持近四年。經過過去幾年價格上升和條款與條件收緊，加上二零零一年以來沒有發生全球性大規模損失或災難，全球保險市場開始進入上升週期的最後階段。在二零零四年，直接保險和再保險市場保費價位普遍出現保費價位持平，並開始出現對再保險業界越加不利的保費率下調及再保險條約放寬等的跡象。在亞洲市場若干業務範疇，如財產保險在競爭的加劇下，費率和再保險合約條款「回軟」的情況較為明顯。

有見「堅挺」定價週期逐步無可避免地結束，中再國際在過去兩年已完成本身再保險業務組合的再承保工作，並選擇性刪除超過十分一的業務。被中止的再保險業務乃是中再國際認為不能達致現有承保利潤水平，以及當再保險定價週期回軟時將不能達到其承保標準的保單。中再國際的高級管理層和董事相信，這種再承保策略是維持可持續承保利潤的重要關鍵策略，而且合乎集團注重收入淨額、而非單單著眼保費收入量的政策。

年內，中再國際的非人壽再保險承保保費收入達10.8506億港元(二零零三年：11.7241億港元)，較去年減少7.5%。是次保費收入減少是中再國際自一九九九年以來首次保費萎縮。計入其小量的人壽再保險保費，中再國際本年度的整體人壽及非人壽再保險承保保費收入毛額達10.9246億港元，較二零零三年已承保的11.7962億港元下跌7.4%。自留非人壽再保險保費淨額為9.0523億港元(二零零三年：9.6647億港元)，相當於保費留存率82.8%(二零零三年：81.9%)。

MANAGEMENT REVIEW AND ANALYSIS

The underwriting result for the reinsurance business for the Year was a profit of HK\$25.83 million, representing a decrease of 40.8% in comparison to the underwriting profit of HK\$43.64 million registered in 2003. The decrease was mainly attributable to the higher frequency of major insurance claims due to natural disasters, such as Hurricane Ivan in the Caribbean, the Indian Ocean tsunami and Typhoon Songda in Japan, all of which occurred in the second half of 2004. The gross claims incurred on these three natural disasters is estimated to be approximately HK\$160.00 million, with the net loss retained by CIRe after recoveries from retrocessions at HK\$97.00 million. CIRe's combined ratio (total net underwriting commission, underwriting expenses and net claims incurred divided by total net earned premium) was 97.6%, a small increase over that of Last Year (2003: 96.7%). Overall, CIRe's underwriting result is considered satisfactory given the occurrence of major claims in 2004.

Of CIRe's 2004 non-life reinsurance premium, the breakdown of non-proportional treaty, proportional treaty and facultative reinsurance was 32.9%, 53.6% and 13.5%, respectively (2003: 31.1%, 54.5% and 14.4%). Geographically, Hong Kong and Macau still constituted the core markets with 29.8% (2003: 34.5%) of total non-life reinsurance premium. China (excluding Hong Kong and Macau) represented 16.2% (2003: 11.5%), the Rest of Asia was 33.2% (2003: 31.6%) and Non-Asia accounted for 20.8% (2003: 22.4%).

CIRe's life reinsurance premium written in the Year was HK\$7.40 million (2003: HK\$7.22 million), representing a small 0.7% of the total premium written. The underwriting profit from life reinsurance amounted to HK\$3.72 million (2003: HK\$3.36 million).

CIRe's investment and net gain was HK\$197.71 million, a decrease of 7.9% compared to that of Last Year (2003: HK\$214.62 million). The decrease was primarily because the performance of global equities in 2004 was less strong than that of 2003. Such a result was satisfactory, as the equities markets performance Last Year was truly exceptional and unsustainable.

The profit contribution from the reinsurance operations attributable to the Group for the Year was HK\$198.00 million, representing a decrease of 15.4% compared to that of Last Year (2003: HK\$234.03 million).

Life Insurance Business — TPL

2004 was TPL's third year of operations. Although still in a relatively early stage of development, TPL has made significant inroads into the PRC life insurance industry. Mainland China's life insurance market continues to be highly attractive with vast potential for future growth. Although the entire life insurance industry expanded at a slower pace (7.0%) than that of Last Year, the more moderate growth was due to a change of focus and priorities amongst the major life insurers in the country. In particular because of the listing of several major PRC insurers in the recent two years, the entire industry has become more profit-centric and professional. Although the shift in emphasis to newer and more profitable products led to a slowing of overall premium growth, such transformation is highly positive and healthy for the life insurance industry as a whole over the long term.

During the Year, TPL continued to expand along its three major business lines, namely individual life, group life and bancassurance. Premium income reached HK\$6,217.61 million in 2004, representing a 101.9% increase over that of Last Year (2003: HK\$3,079.50 million). TPL achieved a market share of over 2.0% in the PRC life insurance industry, ranking sixth among the country's life insurers by total premium. Individual life premium amounted to HK\$530.72 million, constituting 8.5% of total premium and representing an increase of 106.3% over that of Last Year (2003: HK\$257.21 million). Group life premium amounted to HK\$1,073.68 million, constituting 17.3% of total premium and representing an increase of 93.2% over that of Last Year (2003: HK\$555.80 million). Bancassurance premium amounted to HK\$4,613.21 million, constituting 74.2% of total premium and representing an increase of 103.5% over that of Last Year (2003: HK\$2,266.49 million). Overall, TPL's total premium growth rate, as well as the individual growth rates of each of its three business lines, ranked number one amongst the top six PRC life insurance companies and was well above the average growth rate for the entire PRC life insurance industry (7.0%).

管理層回顧和分析

本年度的再保險承保業績為溢利2,583萬港元，較二零零三年錄得的承保溢利4,364萬港元減少40.8%。溢利減少主要是由於重大天災索賠頻生，如加勒比海的颶風伊凡、印度洋的海嘯和日本的颱風桑達等，均於二零零四年下半年發生。以上三大天然災難涉及索賠毛額估計約達1.6000億港元，扣除中再國際本身轉分保的攤回款項後的自留損失淨額為9,700萬港元。本年度，中再國際的滿期保費綜合成本率(即淨承保佣金、承保開支和淨索賠總額除以淨滿期保費總額的比率)為97.6%，較去年微升(二零零三年：96.7%)。總的來說，雖然二零零四年發生重大索賠，中再國際的承保業績尚算滿意。

中再國際二零零四年的非人壽再保險保費中，非比例合約、比例合約和臨時再保險的佔比分別為32.9%、53.6%及13.5%(二零零三年：31.1%、54.5%及14.4%)。按地區分佈，香港及澳門仍構成核心市場，佔非人壽再保險保費比率為29.8%(二零零三年：34.5%)，中國(不含香港及澳門)佔16.2%(二零零三年：11.5%)，亞洲其餘地區佔33.2%(二零零三年：31.6%)，而非亞洲地區則佔20.8%(二零零三年：22.4%)。

中再國際本年度的人壽再保險承保保費為740萬港元(二零零三年：722萬港元)，僅佔總承保保費的0.7%。人壽再保險的承保溢利為372萬港元(二零零三年：336萬港元)。

中再國際的投資收入及盈餘淨額為1.9771億港元(二零零三年：2.1462億港元)，較上年跌7.9%，主因二零零四年全球股市表現不如二零零三年強勁。而二零零三年的股市表現實屬特殊及不可能持續，故有此業績仍算滿意。

本集團應佔本年度再保險業務的溢利貢獻為1.9800億港元(二零零三年：2.3403億港元)，較去年減少15.4%。

人壽保險業務 — 太平人壽

二零零四年是太平人壽第三年的營業年。太平人壽雖相對而言仍屬初期的發展階段，但已在中國壽險業打出局面。中國大陸的人壽保險市場繼續蓬勃發展，未來發展潛力巨大。然而，整個壽險行業發展步伐較去年放緩(7.0%)，而增長較為溫和是因為國內主要壽險公司改變業務方針及優先項目所致。尤其是最近兩年有數家國內大型保險公司上市，使整個行業變得更加以盈利為中心和更加專業化。雖然業界轉向發展較新和較有利可圖產品而導致整體保費增長放緩，但這種轉型長遠來說對中國整體壽險業有著正面與健康的意義。

年內，太平人壽的個人、團體及銀行保險三條主要業務線均取得了長足的發展。二零零四年保費收入達62.1761億港元(二零零三年：30.7950億港元)，較去年增加101.9%。太平人壽已佔中國壽險業市場份額逾2.0%，按保費收入排名在全國壽險公司中排名第六。個人人壽保險保費達5.3072億港元，佔總保費8.5%並較去年增加106.3%(二零零三年：2.5721億港元)。團體人壽保險保費達10.7368億港元，佔總保費17.3%並較去年增加93.2%(二零零三年：5.5580億港元)。銀行促銷人壽保險保費達46.1321億港元，佔總保費74.2%並較去年增加103.5%(二零零三年：22.6649億港元)。總體而言，太平人壽整體業務增長速度以及各類業務的增長速度，在前六家全國性壽險公司保費增長速度排名中均名列第一，遠高於壽險市場總體增長的平均(7.0%)水平。

MANAGEMENT REVIEW AND ANALYSIS

During 2004, TPL continued its expansion into the PRC life insurance market by opening 7 new branches. The location of the branches were carefully chosen to best position TPL in the most wealthy and populous provinces in China, and are as follows: Suzhou, Tianjin, Wuhan, Hefei, Fuzhou, Harbin and Nanchang. With these new branches, TPL now has 22 branches throughout the PRC. TPL also expended resources in strengthening its solvency position. In 2004, TPL increased its total capitalization from HK\$939.00 million to HK\$2,187.87 million. The total assets of TPL reached HK\$11,520.07 million as at December 31, 2004. With the injected capital funds, the solvency ratio of TPL amounted to 296.0%, well above the standard set by the CIRC. During the Year, Fitch reaffirmed its BBB+ rating for TPL.

During the Year, TPL changed its basis of estimate in respect of its life insurance funds. Under the new basis of estimate, the appointed actuary has adopted the Net Level Premium approach and Deferral approach. Under the new approach, profits are expected to emerge on a level basis over the life of the insurance contracts. These changes in estimate provide a clearer presentation of the results and financial position of TPL and that of the Group and are more comparable with those adopted by major international and PRC insurance companies. The changes in the basis of estimate is non-retroactive. As a result of the changes in basis of estimate being taken up in the Year, the share of operating loss attributable to the Group for the Year decreased by HK\$47.99 million. In the event that the new basis of estimate was accounted for retrospectively, the share of operating profit attributable to the Group for the Year and the year ended 31 December 2003 would increase by HK\$48.61 million and HK\$1.47 million, respectively, and that for the year ended 31 December 2002 would decrease by HK\$2.09 million.

TPL's net loss for the Year amounted to HK\$333.81 million (2003: net loss of HK\$163.75 million). The share of net loss attributable to the Group for the Year was a net loss of HK\$167.49 million (2003: net loss of HK\$81.96 million). If the new basis of estimate is accounted for retrospectively, the net loss of TPL attributable to the Group and net (loss)/profit of the Group for the Year, the year ended 31 December 2003 and the year ended 31 December 2002 would be as follows:

	Net loss of TPL attributable to the Group <i>HK\$ million</i>	Net (loss)/profit of the Group <i>HK\$ million</i>
Year ended 31 December 2004	166.87	(22.32)
Year ended 31 December 2003	80.49	142.22
Year ended 31 December 2002	47.33	178.30

The above-described change of basis of estimate was implemented for CIH's 2004 Interim Results. Since then, TPL has made further refinements to its accounting estimates, and made adjustments to the accounting treatment of TPL's single premium products. TPL has decided to adopt a more conservative accounting policy regarding the expensing and amortization of commission and other acquisition expenses for TPL's single premium products. Because the single premium products of TPL increased significantly during the second half of the Year, TPL believes that a more conservative approach would be more appropriate.

管理層回顧和分析

於二零零四年度，太平人壽繼續進軍中國壽險市場，在位處中國最富庶和人口多的省份新開了七家分公司，分公司地點均經精挑細選，分別是蘇州、天津、武漢、合肥、福州、哈爾濱及南昌。以上新分行使太平人壽全國分行數目增加到二十二家。太平人壽也有增資以加強其償付能力。二零零四年內，太平人壽總資本從9.3900億港元增至21.8787億港元。於二零零四年十二月三十一日，太平人壽的總資產達115.2007億港元。獲注入資本金後，太平人壽的償付能力率為296.0%，遠高於中國保監會所訂下的標準。期內，太平人壽仍獲惠譽給予BBB+ 評級。

本年度，太平人壽更改人壽保險基金之估計方法。根據新估計方法，獲委任之精算師已採用淨平均保費計算法及遞延計算法。根據新計算法，利潤會在預期保險合約有效期內逐步平均地體現。上述估計方法之變動亦可更清晰反映太平人壽及本集團之業績及財政狀況，更提高與國際及中國的主要保險公司的可比性。新估計方法之修改並無追溯效力。於本年度更改估計方法後，本集團於本年度應佔之經營虧損減少4,799萬港元。倘追溯採用新估計方法計算，則本集團於本年度及截至二零零三年十二月三十一日止年度應佔之經營溢利分別增加4,861萬港元及147萬港元，而截至二零零二年十二月三十一日應佔的經營溢利減少了209萬港元。

太平人壽於本年度之淨虧損為3.3381億港元(二零零三年：淨虧損1.6375億港元)。本集團於本年度應佔之淨虧損為1.6749億港元(二零零三年：淨虧損8,196萬港元)。倘追溯採用新估計基準計算，則本集團於本年度，截至二零零三年十二月三十一日止年度及截至二零零二年十二月三十一日止年度應佔太平人壽淨虧損及本集團淨(虧損)/溢利將分別如下：

	本集團應佔太平人壽淨虧損 百萬港元	本集團淨(虧損)/溢利 百萬港元
截至二零零四年十二月三十一日止年度	166.87	(22.32)
截至二零零三年十二月三十一日止年度	80.49	142.22
截至二零零二年十二月三十一日止年度	47.33	178.30

上述有關更改會計估計方法已於本公司二零零四年的中期業績內採納。下半年，太平人壽把估計方法作進一步的改良；將太平人壽的躉繳保費產品的會計處理作出調整。太平人壽決定將有關躉繳保費產品的佣金支出及取得業務的相關成本確認及分攤上採取更加審慎的會計處理方法。由於太平人壽的躉繳保費產品於本年度下半年有強勁的增長，太平人壽相信一個更加審慎的處理方法更為恰當。

MANAGEMENT REVIEW AND ANALYSIS

General Insurance – TPI

During the Year, TPI increased its pace of growth, increasing premium income by 76.0% to HK\$872.26 million (2003: HK\$495.49 million). TPI's other major financial and operational indicators also improved considerably over that of Last Year. For example, TPI's combined ratio on earned premium improved from 195.7% in 2003 to 124.3% in 2004. Net claims to premium earned fell from 93.7% Last Year to 56.4% this Year, of which the claims ratio for motor vehicle insurance fell from 89.6% in 2003 to 64.6% in 2004. In 2004, TPI recorded a net loss of HK\$102.23 million (2003: net loss of HK\$188.82 million). The net loss attributable to the Group was HK\$30.72 million (2003: net loss of HK\$56.74 million). The net operating losses at TPI were due to TPI's early stage of development.

During 2004, TPI continued executing its plans for expansion into the most wealthy and populous provinces of the PRC. During the Year, TPI set up 3 branches in Hunan, Qingdao and Chongqing. As of the end of 2004, TPI had 19 provincial branch offices, including 4 new branches approved by the CIRC to be established in Shanxi, Fujian, Anhui and Shaanxi. These 4 new branch offices are expected to go into operation during the first quarter of 2005.

Motor vehicle insurance premiums amounted to HK\$554.43 million for the year constituting 63.6% of total premium and representing an increase of 96.6% over that of Last Year (2003: HK\$282.02 million). Non-marine insurance premium amounted to HK\$213.00 million, constituting 24.4% of total premium and representing an increase of 26.9% over that of Last Year (2003: HK\$167.91 million). Marine insurance premium amounted to HK\$80.82 million, constituting 9.3% of total premium and representing an increase of 102.2% over that of Last Year (2003: HK\$39.97 million). Accident insurance premium amounted to HK\$24.01 million, constituting 2.7% of total premium and representing an increase of 329.5% over that of Last Year (2003: HK\$5.59 million).

Assets Management – CIGAML

The management fee income of CIGAML for the Year amounted to HK\$23.82 million (2003: HK\$56.17 million). During the Year, there was interest income of HK\$12.38 million (2003: HK\$15.41 million) derived from investments in fixed interest rate securities. The assets under management of CIGAML amounted to HK\$2,529.03 million as at 31 December 2004 (2003: HK\$3,965.12 million). The reduction in management fee income and assets under management was due to larger client withdrawals which took place in 2004. After deducting the annual amortisation of goodwill from the acquisition of CIGAML, amounting to HK\$18.47 million (2003: HK\$18.47 million), CIGAML's profit attributable to the Group for the Year was HK\$7.00 million (2003: HK\$47.35 million).

Insurance Intermediaries – SINO-RE

As a result of the general softening in both primary and reinsurance market conditions, SINO-RE had a 23.0% reduction in brokerage income, which amounted to HK\$11.29 million, in the Year compared to HK\$14.66 million Last Year. SINO-RE's major source of income was from providing reinsurance broking services in placing reinsurance contracts for direct insurance companies operating in Hong Kong, Macau, Mainland China and Singapore to professional reinsurers operating in the region. In 2004, SINO-RE's profit attributable to the Group was HK\$7.25 million (2003: HK\$11.60 million).

管理層回顧和分析

一般保險 — 太平保險

太平保險於本年度業務規模發展較快，保費收入增長76.0%至8.7226億港元(二零零三年：4.9549億港元)。太平保險的其他主要財務及營運指標較去年同期亦有所改善，如太平保險的滿期保費綜合成本率由去年195.7%改善至本年度的124.3%。滿期保費賠付率由去年度的93.7%降至本年度的56.4%，其中車險賠付率下降較快，由上年同期的89.6%降至64.6%。於二零零四年，經營虧損為1.0223億港元(二零零三年：淨虧損1.8882億港元)。股東應佔虧損淨額為3,072萬港元(二零零三年：虧損淨額5,674萬港元)。由於太平保險仍屬發展初期，故此出現經營淨虧損。

太平保險於二零零四年，繼續有計劃地在中國最富裕及人口最多之省份開拓業務，於本年度，太平保險在湖南、青島及重慶開設三家分公司，於二零零四年底，太平保險有十九家省級分公司，當中有山西、福建、安徽及陝西四家已獲保監會批准的省級分公司正在籌備，預計二零零五年第一季度可以開業營運。

本年度車險保費達5.5443億港元，佔總保費63.6%並較去年度增加96.6%(二零零三年：2.8202億港元)。非水險保費達2.1300億港元，佔總保費24.4%並較去年度增加26.9%(二零零三年：1.6791億港元)。水險保費達8,082萬港元，佔總保費9.3%並較去年度增加102.2%(二零零三年：3,997萬港元)。意外險保費達2,401萬港元，佔總保費2.7%並較去年度增加329.5%(二零零三年：559萬港元)。

資產管理 — 中保資產管理

本年度中保資產管理的管理費收入為2,382萬港元(二零零三年：5,617萬港元)，另有1,238萬港元是來自投資定息證券的利息收入(二零零三年：1,541萬港元)。於二零零四年十二月三十一日，中保資產管理所管理的資產達25.2903億港元(二零零三年：39.6512億港元)。管理費收入及所管理資產減少是由於客戶提取的金額增加所致。經扣除收購中保資產管理的年度商譽攤銷1,847萬港元(二零零三年：1,847萬港元)後，中保資產管理於本年度為本集團帶來的溢利貢獻為700萬港元，(二零零三年：4,735萬港元)。

保險中介公司 — 華夏

由於直接保險及再保險市況普遍回軟，華夏於本年度的經紀收入減少23.0%至1,129萬港元，而去年度則為1,466萬港元。華夏的主要收入來源來自提供再保險經紀服務，協助在香港、澳門及新加坡經營的直接保險公司向在區內經營的專業再保人安排分出再保險合約。二零零四年，華夏為本集團帶來的溢利貢獻為725萬港元(二零零三年：1,160萬港元)。

MANAGEMENT REVIEW AND ANALYSIS

BUSINESS OUTLOOK

Reinsurance Underwriting — CIRE

The senior management and directors of CIRE are confident that CIRE's core reinsurance operations will continue to produce stable and satisfactory results. CIRE's strong and steady cash flows from underwriting, together with its prudent and conservative investment approach, will enable it to produce stable earnings for the Group. Despite the gradual weakening of premium rates in both primary and reinsurance markets in the region, CIRE will steadfastly adhere to its strict underwriting discipline, skillful and careful business selection, and conservative risk management principle. CIRE will continue to target Mainland China market opportunities and is planning to apply for permission to establish a representative office in Beijing. This office will position CIRE even better in this potentially vast market, and will further improve its services to clients in China.

Life Insurance Business — TPL

TPL expects its life insurance business to continue expanding at a rapid pace in 2005. The entire economy of China is growing at a fast pace, and the life insurance industry is developing in a healthy manner. TPL will continue to strive for higher market share in this positive environment. TPL will also continue its efforts at improving the profitability of its products and overall operations. The senior management and directors of TPL believe that it will be possible to achieve break-even conditions in 2006. Other major initiatives for 2005 include further improvements in professional development for personnel, product innovation, and sales and marketing.

General Insurance — TPI

TPI's primary objective in 2005 is to lay a solid business foundation for generating profitability in 2006. The senior management and directors of TPI expect that its operations will produce profits next year. Strategically, TPI will slow its new branch openings and focus on building up its existing operations. TPI's branch network is already one of the largest in the country, and covers the most wealthy and populous provinces of Mainland China. TPI will also focus efforts on promoting its brand name and image.

Assets Management — CIGAML

While continuing to improve on and grow its existing businesses in Hong Kong, CIGAML intends to pursue assets management opportunities in Mainland China. In conjunction with CIHC and TPL, CIGAML will explore the formation and development of assets management entities in the PRC. The assets management industry in Mainland China is still in a nascent stage of development, and holds enormous potential for future growth.

管理層回顧和分析

業務展望

再保險承保 — 中再國際

中再國際的高級管理層和董事有信心本身的核心再保險營運將可繼續創出穩定理想業績。中再國際來自承保的強大穩定現金流量，加上本身審慎保守的投資策略，將可為本集團帶來穩定盈利。儘管區內的直接保險及再保險市場的保費率日漸回落，但中再國際仍會緊守其嚴格的承保紀律、精心細緻揀選業務和審慎的風險管理原則。中再國際將繼續捕捉中國大陸的市場機會，並正計劃申請在北京開設辦事處。此辦事處將有助提升中再國際在這巨大潛力市場中的定位，也可進一步改善其向中國客戶提供的服務。

人壽保險業務 — 太平人壽

太平人壽預期，其人壽保險業務於二零零五年將繼續迅速擴展。中國整體經濟快速增長，人壽保險業亦健康發展，太平人壽在此大好形勢中將繼續致力提高市場佔有率，亦會繼續改善旗下產品以及整體經營之盈利能力。太平人壽之高級管理層及董事相信，太平人壽有望可於二零零六年達致收支平衡。太平人壽於二零零五年的其他重要措施包括進一步促進員工的專業發展，加強產品創新工作以及銷售及市場推廣。

一般保險 — 太平保險

太平保險於二零零五年的主要目標是為二零零六年產生盈利建立鞏固的業務基礎。太平保險的高級管理層及董事期望業務於二零零六年可以錄得溢利。從策略性方面來看，太平保險將會減慢開設分公司的速度，並專注打造好目前的架構和運作。太平保險的分公司網絡現成為國內最大網絡之一，並涵蓋富有及人口眾多的省份。太平保險並會專注於集中力量宣傳其品牌及形象。

資產管理 — 中保資產管理

中保資產管理在繼續改善及擴充現有香港業務之同時，亦會發掘中國內地之資產管理機會。中保資產管理將聯同中保控股以及太平人壽，共同探索於中國籌組及發展資產管理公司。中國內地之資產管理業目前只是雛型，未來發展潛力巨大。

MANAGEMENT REVIEW AND ANALYSIS

Investments Outlook

2005 will be a cautious year for global equity markets. Upside potential for stock markets around the world are likely to be moderate at best, while downside risks are significant and must not be discounted. CIIH intends to continue limiting its equity exposures for its investment portfolio. On the fixed income side, the Company will continue to adopt a prudent and conservative investment philosophy, and have most of its portfolio in investment grade securities. Because interest rates have not risen as fast as previously forecasted and remain at relative historical lows, CIIH will carefully manage its exposure to the potential for unexpected interest rate increases during the coming year.

INVESTMENT PORTFOLIO AND INVESTMENT INCOME

The total investment portfolio held as at 31 December 2004 amounted to HK\$15,264.48 million (2003: 9,441.75 million), which represented 90.6% of the total assets of the Group. The composition of the investment portfolio was as follows:

	At 31 December 2004 HK\$ million	% of Total	At 31 December 2003 HK\$ million	% of Total
Bonds and fixed income securities	9,782.86	64.1	5,758.19	61.0
Cash and bank deposits	3,505.46	23.0	2,393.22	25.3
Listed equities	549.13	3.6	520.84	5.5
Listed mutual funds and unit trusts	906.44	5.9	348.41	3.7
Securities purchased under resale agreement	—	—	148.28	1.6
Investment properties	118.90	0.8	104.84	1.1
Interest in associates	351.60	2.3	127.74	1.4
Unlisted equities	11.24	0.1	11.23	0.1
Loan	38.85	0.2	29.00	0.3
Total	15,264.48	100.0	9,441.75	100.0

By business segment as at 31 December 2004

	Reinsurance HK\$ million	Life insurance HK\$ million	Assets management HK\$ million	Insurance intermediaries HK\$ million	Unallocated HK\$ million	Total HK\$ million
Bonds and fixed income securities	1,497.87	7,647.22	257.34	9.63	370.80	9,782.86
Cash and bank deposits	*1,073.70	**2,283.90	47.15	21.71	79.00	3,505.46
Listed equities	273.16	—	48.42	9.06	218.49	549.13
Listed mutual funds and unit trusts	12.27	894.17	—	—	—	906.44
Investment properties	118.90	—	—	—	—	118.90
Interest in associates	—	—	—	8.02	343.58	351.60
Unlisted equities	11.24	—	—	—	—	11.24
Loan	24.71	14.14	—	—	—	38.85
Total	3,011.85	10,839.43	352.91	48.42	1,011.87	15,264.48

管理層回顧和分析

投資展望

全球證券市場在二零零五年將會是處於審慎局面。全球股票市場大致祇會有輕微上升的潛力，而下滑的風險則會頗為顯著，因而不容忽視。本公司在股票投資方面將會繼續有限度的持有量。至於固定收入方面的投資，本公司將沿用保守及審慎的投資理念，將投資組合中大部份投放在具備投資評級的證券。基於利率並未如預期般快速急升，仍處於歷史上較低點，因此本公司將會謹慎地處理未來年度利率突然上升的風險。

投資組合及投資收入

於二零零四年十二月三十一日，投資組合總值為152.6448億港元(二零零三年：94.4175億港元)，佔本集團總資產的90.6%。投資組合的組成情況如下：

	於2004年		於2003年	
	12月31日 百萬港元	佔總數 百份率	12月31日 百萬港元	佔總數 百份率
債券及固定收入證券	9,782.86	64.1	5,758.19	61.0
現金及銀行存款	3,505.46	23.0	2,393.22	25.3
上市股票	549.13	3.6	520.84	5.5
上市互惠基金及單位信託基金	906.44	5.9	348.41	3.7
買入返售證券	—	—	148.28	1.6
投資物業	118.90	0.8	104.84	1.1
聯營公司權益	351.60	2.3	127.74	1.4
非上市股票	11.24	0.1	11.23	0.1
貸款	38.85	0.2	29.00	0.3
總額	15,264.48	100.0	9,441.75	100.0

按業務分類

於二零零四年十二月三十一日

	再保險	人壽保險	資產管理	保險 中介業務	未經分配	總額
	百萬港元	百萬港元	百萬港元	百萬港元	百萬港元	百萬港元
債券及固定收入證券	1,497.87	7,647.22	257.34	9.63	370.80	9,782.86
現金及銀行存款	*1,073.70	**2,283.90	47.15	21.71	79.00	3,505.46
上市股票	273.16	—	48.42	9.06	218.49	549.13
上市互惠基金及單位信託基金	12.27	894.17	—	—	—	906.44
投資物業	118.90	—	—	—	—	118.90
聯營公司權益	—	—	—	8.02	343.58	351.60
非上市股票	11.24	—	—	—	—	11.24
貸款	24.71	14.14	—	—	—	38.85
總額	3,011.85	10,839.43	352.91	48.42	1,011.87	15,264.48

MANAGEMENT REVIEW AND ANALYSIS

During the Year, total investment income, including other gains and losses, amounted to HK\$492.57 million (2003: HK\$419.14 million), representing an increase of 17.5% compared to that of Last Year. The increase in income was due to increased investments into fixed income securities. The Group will continue to have most of its investments in fixed income securities which are investment grade and which provide steady cash flows.

* *There were pledged deposits at banks amounting to HK\$76.53 million (2003: HK\$70.60 million) as lien for letters of credit issued to certain ceding companies to stand for unearned premium reserves and/or outstanding loss reserves under the terms of certain assumed reinsurance contracts. Included in the amount of deposits pledged with banks is also a letter of credit for STG2.09 million issued to the Corporation of Lloyd's to back up CIRE's investment in a corporate vehicle specially established to participate in a Lloyd's Underwriting Syndicate solely for the underwriting years of 2002 and 2003.*

** *A subsidiary of the Group has placed HK\$437.95 million (2003: HK\$197.01 million) with banks as a capital guarantee fund, pursuant to relevant PRC insurance rules and regulations. The fund can only be used with the prior approval of the relevant authorities in the event that the PRC subsidiary cannot meet statutory solvency requirements or goes into liquidation.*

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank deposits as at 31 December 2004 amounted to HK\$3,505.46 million (2003: HK\$2,393.22 million). The increase of 46.5% in the cash position was mainly due to an increase in paid-up capital at TPL as well as life insurance premium collected by TPL. There was no bank borrowings during the Year except for certain temporary bank overdrafts for immaterial amounts. The gearing ratio, which represents interest-bearing notes issued divided by the total assets of the Group, was 8.0% as at 31 December 2004 (2003: 12.6%).

CAPITAL STRUCTURE

During the Year, the Company issued 3,560,000 new shares (2003: 2,802,000 shares) for cash under the Company's staff share option scheme. Net proceeds received for shares issued for cash in aggregate amounted to HK\$6.30 million (2003: HK\$3.46 million).

STAFF AND STAFF REMUNERATION

As at December 2004, the Group had a total of 4,904 employees (2003: 2,526 employees), an increase of 2,378 employees. Total remuneration (other than directors' remuneration but including staff bonuses) amounted to HK\$341.28 million (2003: HK\$170.15 million), an increase of 100.6%. Bonuses are linked to both the performance of the Group as well as individual performance.

MAJOR EVENT DURING THE YEAR

On 9 July 2004, the Company, through TPL and CIGAML, its subsidiaries, entered into a conditional shareholders' agreement with TPI, Fortis and CIHC to form a new joint stock limited company, namely TPP (the "TPP Shareholders' Agreement"). Upon establishment, the Company will effectively control 74.0% of the equity interest in TPP (through its interests in TPL and CIGAML), and TPP will become a subsidiary of the Company.

管理層回顧和分析

於本財務期內，投資收入總額(包括其他收益及其他收入淨額)為4.9257億港元(二零零三年：4.1914億港元)，較去年上升17.5%。收入增加主要是由於投資在固定收入證券增加，因而產生較多利息收入，本集團仍會繼續大量投資具備投資評級的固定收入證券以保持穩定的現金流量。

* 為數7,653萬港元(二零零三年：7,060萬港元)的有抵押銀行存款是用作若干分保公司獲發信用狀的抵押，作為若干已承擔的再保險合約的未賺取保費儲備及／或未決賠款準備。存於銀行的有抵押存款亦包括一項向英國勞合社發出為數英鎊209萬鎊的信用狀，用以支持中再國際投資於一間公司，專為參與一家勞合社承保組合二零零二及二零零三承保年度的業務。

** 本集團其中一家附屬公司，根據相關的中國保險條例與規定，將為數4.3795億港元(二零零三年：1.9701億港元)存放入銀行，作為資本保證基金。如需動用該基金，須事先取得有關政府部門的同意，即若發生該在中國的附屬公司未能附合法定流動現金規定，或它正面臨清盤。

流動資金及財務資源

於二零零四年十二月三十一日，本集團的現金及銀行存款為35.0546億港元(二零零三年：23.9322億港元)。現金存款增加46.5%，主要是由於太平人壽的實收資本的增加，與及太平人壽的人壽保險保費有所增加。年內除有若干小額臨時銀行透支外，並無任何銀行借貸。於二零零四年十二月三十一日，資本與負債比率，即將須付利息的已發行票據除以本集團的總資產，為8.0%(二零零三年：12.6%)。

資本結構

本年度本公司根據員工認股權計劃以現金為代價發行3,560,000股新股(二零零三年：2,802,000股)。發行新股換取現金的總代價為630萬港元(二零零三年：346萬港元)。

員工及員工酬金

於二零零四年十二月三十一日，本集團的僱員總人數達4,904人(二零零三年：2,526人)，增加2,378人。總酬金(不含董事酬金，但包括員工花紅)為3.4128億港元(二零零三年：1.7015億港元)，增加100.6%。花紅與本集團的業績及員工的個人表現掛鉤。

本年度重要事項

於二零零四年七月九日，本公司(通過其附屬公司，太平人壽及中保資產管理)與太平保險、富通和中保控股簽訂一份有條件的股東協議，成立一間名為太平養老保險的新股份有限公司(「太平養老保險股東協議」)當此公司正式成立之後，本公司將(通過在太平人壽及中保資產管理的權益)實質持有太平養老保險74.0%的權益。太平養老保險將成為本公司一家附屬公司。

MANAGEMENT REVIEW AND ANALYSIS

At the extraordinary general meeting of the Company held on 25 August 2004, the independent shareholders of the Company approved the conditional TPP Shareholders' Agreement. However, because certain conditions precedent stipulated in the TPP Shareholders' Agreement have not yet been fulfilled, TPP had not been established and had not commenced operations as at 31 December 2004. The total investment into TPP by the Group was HK\$139.11 million, and is recorded as "Other Debtors" in the Consolidated Balance Sheet as at 31 December 2004.

TPP was established after the balance sheet date, but had not yet commenced operations as at 23 March 2005. TPP will engage in the supplementary corporate pension business as well as other related pension businesses. With a clear focus on the pension business in Mainland China, TPP intends to offer a broad and sophisticated range of products and services, including actuarial support services, to both its corporate and individual pension clients. Such focused expertise will also help TPP in its marketing of pension services throughout the country and raise its overall skills in the investment management and accounts management of pension funds.

CONTINGENT LIABILITIES

The claim made by the liquidator of an Australian reinsurance company against CIRe in relation to a commutation payment of US\$3.00 million received on a reinsurance claim was settled during the Year at a sum less than the amount claimed.

Save as herein disclosed and other than those incurred in the normal course of the Group's insurance business, there was no outstanding litigation nor any contingent liabilities as at 31 December 2004.

DIVIDEND

The Directors have resolved not to recommend the payment of final dividend for the year ended 31 December 2004 (2003: HK1.2 cents per share).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

管理層回顧和分析

於二零零四年八月二十五日本公司舉行了股東特別大會，在大會上本公司的獨立股東批準了該份有條件的太平養老保險股東協議，然而，由於協議內所列明的條件仍有部份尚未達成，所以於二零零四年十二月三十一日太平養老保險仍未正式成立或開業。本集團投放到太平養老保險的總投資金額為1.3911億港元，於二零零四年十二月三十一日的綜合資產負債表上列為「其他應收賬款」。

太平養老保險在結算日後成立。但截止二零零五年三月二十三日，太平養老保險仍未正式開業。太平養老保險將會專注於企業補充養老金保險及其他與養老金保險相關的業務。通過專注養老金保險業務，太平養老保險能為企業客戶和個人客戶提供更廣泛和更豐富的產品和服務以及提供精算方面的支援。此等服務將會有利於養老金保險業務的市場推廣和提升養老金資金投資管理和財務管理的專業水準。

或然負債

一間澳洲再保險公司的清盤人就一筆涉及美元300萬元的再保險賠償代償款項向中再國際提出的索償在本年度已獲解決，所需支付的金額較索償數為少。

除上述披露及本集團保險業務正常出現的索償之外，於二零零四年十二月三十一日，集團並無其他索償和或然負債。

股息

董事會已決議不建議派發截至二零零四年十二月三十一日止年度之末期股息（二零零三年：每股1.2港仙）。

購買、出售或贖回本公司的上市證券

本公司或任何其附屬公司於年內概無購入、出售或贖回任何本公司的上市證券。