

CIIH

CHINA INSURANCE INTERNATIONAL
HOLDINGS COMPANY LIMITED
中保國際控股有限公司

2005 INTERIM RESULTS PRESENTATION



9 SEPTEMBER 2005

Member of **CIH** 中國保險 成員

Contents

- ⇒ **Chairman's Remarks**
- ⇒ **Financial Summary**
- ⇒ **Investment Review**
- ⇒ **Overview of Key Subsidiaries and Associates**
 - **CIRe**
 - **Tai Ping Life & Taiping Pension**
 - **Tai Ping Insurance**

Chairman's Remarks

Financial Highlights

- ◆ Turnover increased to HK\$3,308 million from HK\$2,984 million (+10.9%)
- ◆ Investment income increased to HK\$211 million from HK\$137 million (+53%)
- ◆ Net Loss of HK\$44 million for 1H05 vs Net Profit of HK\$104 million for 1H04
- ◆ NAV increased to HK\$3,550 million from HK\$3,423 million (+3.7%)

Operating Highlights

- ◆ **Stable gains from reinsurance operation**
- ◆ **Continued healthy growth in PRC life and general insurance**
- ◆ **Improvement in product structure**
- ◆ **Permission to operate “Supplementary Corporate Pension Business” in PRC**
- ◆ **Satisfactory progress in setting up asset management company in PRC**

Financial Summary

1H2005 Result – Group Level (1/2)

Group Level

Income Statement (Extract)

	<u>1H2005</u> <u>HK\$ Million</u>	<u>1H2004</u> <u>HK\$ Million</u> (Restated)	Change %
Turnover	3,308	2,984	11
Investment income and net gain	211	137	54
Policyholders' benefits	444	313	42
Net commission expenses	481	329	46
Administrative and other expenses	427	243	76
Change in insurance reserves, net of reinsurance	2,131	1,861	15
(Loss)Profit from operations	(140)	195	172
Finance costs	48	43	12
Share of losses of associates	12	16	25
(Loss)Profit attributable to shareholders	(44)	104	142
(Loss)Earnings Per Share (Basic)	(3.3) cents	7.8 Cents	142

1H2005 Result – Group Level (2/2)

Group Level

Balance Sheet (Extract)

	<u>As at</u> <u>30-Jun-05</u> <u>HK\$ Million</u>	<u>As at</u> <u>31-Dec-04</u> <u>HK\$ Million</u> (Restated)	Change %
Fixed assets	541	501	8
Investments in securities	14,468	11,250	29
Cash and bank deposits	4,406	3,505	26
Insurance reserves	10,787	8,612	25
Provision for outstanding claims	2,005	2,010	0.3
Investment Contract Liabilities	1,714	1,245	38
Securities sold under repurchase agreement	1,998	0	-
Interest-bearing notes	1,351	1,351	-
Shareholders' equities	2,705	2,642	2

1H2005 Result – Reinsurance(1/2)

Segment Level - Reinsurance Business

Income Statement (Extract)

	<u>1H2005</u> <u>HK\$ Million</u>	<u>1H2004</u> <u>HK\$ Million</u> <u>(Restated)</u>	<u>Change</u> <u>%</u>
Gross premium written	1,000	962	4
Investment income and net gain	39	58	33
Net claims	284	244	16
Net commissions	213	198	8
Administrative and other expenses	14	14	-
Change in insurance reserves, net of reinsurance	294	293	0.3
Underwriting profit	47	65	28
Profit from operation	82	116	29
Profit attributable to shareholders	77	108	29

1H2005 Result – Reinsurance(2/2)

Segment Level-Reinsurance Business

Balance Sheet (Extract)

	<u>As at</u> <u>30-Jun-05</u> <u>HK\$ Million</u>	<u>As at</u> <u>31-Dec-04</u> <u>HK\$ Million</u> (Restated)	Change %
Investments in securities	1,905	1,795	6
Cash and bank deposits	944	1,074	12
Insurance funds	675	352	92
Provision for outstanding claims	1,989	1,988	0.1

1H2005 Result – Life insurance (1/2)

Segment Level - Life Insurance Business

Income Statement (Extract)

	<u>1H2005</u> <u>HK\$ Million</u>	<u>1H2004</u> <u>HK\$ Million</u> (Restated)	Change %
Gross premium written	2,289	1,988	15
Investment income and net gain	146	40	265
Policyholders' benefits	160	69	132
Net commissions	268	131	105
Administrative and other expenses	399	215	86
Change in life insurance reserves, net of reinsurance	1,837	1,568	17
(Loss)Profit from operation	(243)	35	794
(Loss)Profit attributable to the Group	(84)	14	700

1H2005 Result – Life insurance (2/2)

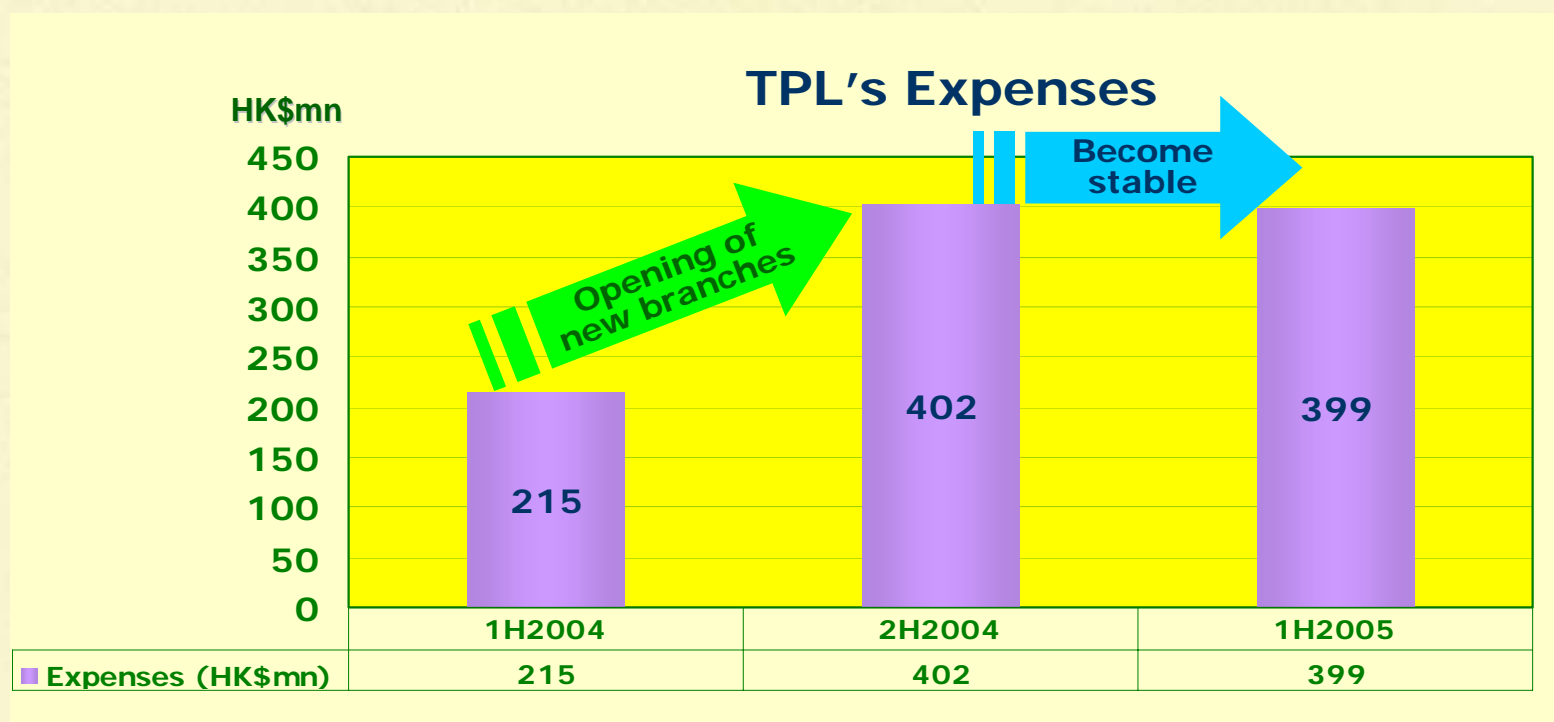
Segment Level - Life Insurance Business

Balance Sheet (Extract)

	<u>As at</u> <u>30-Jun-05</u> <u>HK\$ Million</u>	<u>As at</u> <u>31-Dec-04</u> <u>HK\$ Million</u> (Restated)	Change %
Investments in securities	11,782	8,541	38
Cash and bank deposits	3,154	2,284	38
Life insurance funds	10,111	8,260	22
Provision for outstanding claims	16	22	27
Investment Contract Liabilities	1,714	1,245	38
Securities sold under repurchase agreement	1,998	0	-

Key Elements Behind Consolidated Earnings Loss

- ◆ Due to one-off adjustment (HK\$94 million) of life reserve estimate in Last Period
- ◆ Expenses incurred in operating new branches and sub-branches of TPL which were opened during second half of 2004. Below is the expenses trend of TPL:



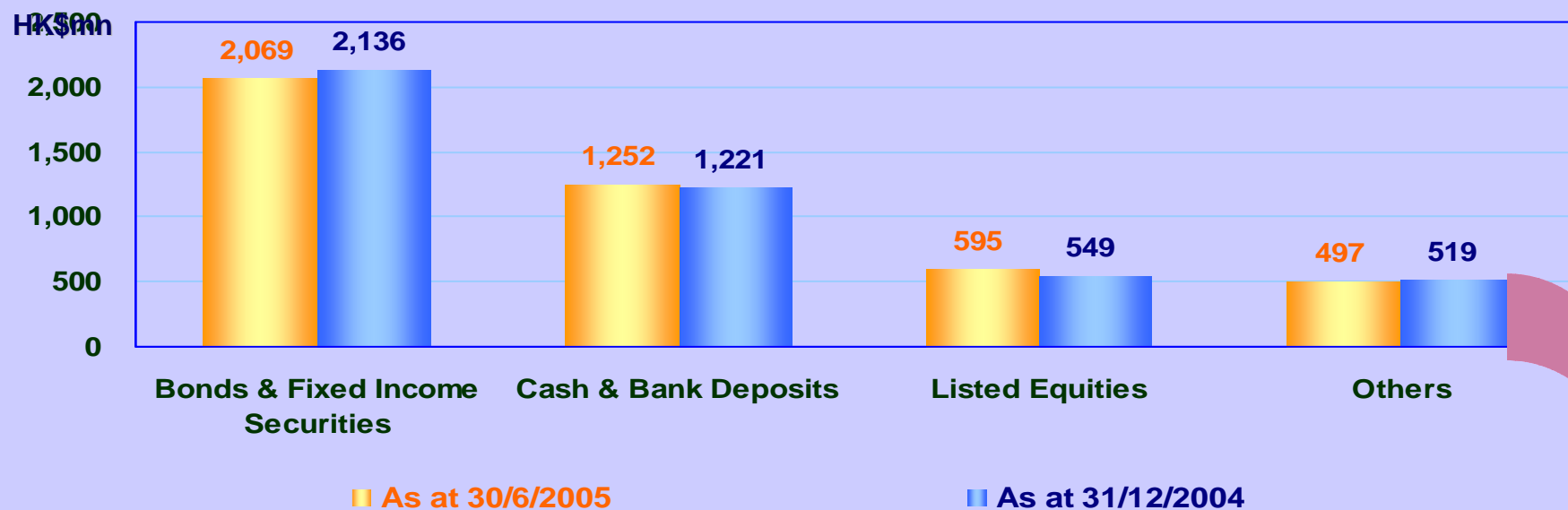
Effect of Adoption of New Accounting Standards

- ◆ **Net Loss allocated to the Group reduced by HK\$9.3 million mainly because of:**
 - ▶ **HKFRS 3: Cessation of annual amortisation of Goodwill (-HK\$15.7 Million)**
 - ▶ **HKAS 39: Investment gain reclassified into equity reserves (+HK\$6.2 Million)**

Investment Review

Hong Kong Fund – Our Conservative Investment Portfolio

CIH



OTHERS INCLUDE:

- Listed Mutual Funds and Unit Trusts
- Investment Properties
- Interests in Associates
- Unlisted Equities
- Loan

As at 30-Jun-05
HK\$mn

As at 31-Dec-04
HK\$mn

Listed Mutual Funds and Unit Trusts	12	12
Investment Properties	109	119
Interests in Associates	340	352
Unlisted Equities	11	11
Loan	25	25
Total	497	519

Six months
ended 30-Jun-05

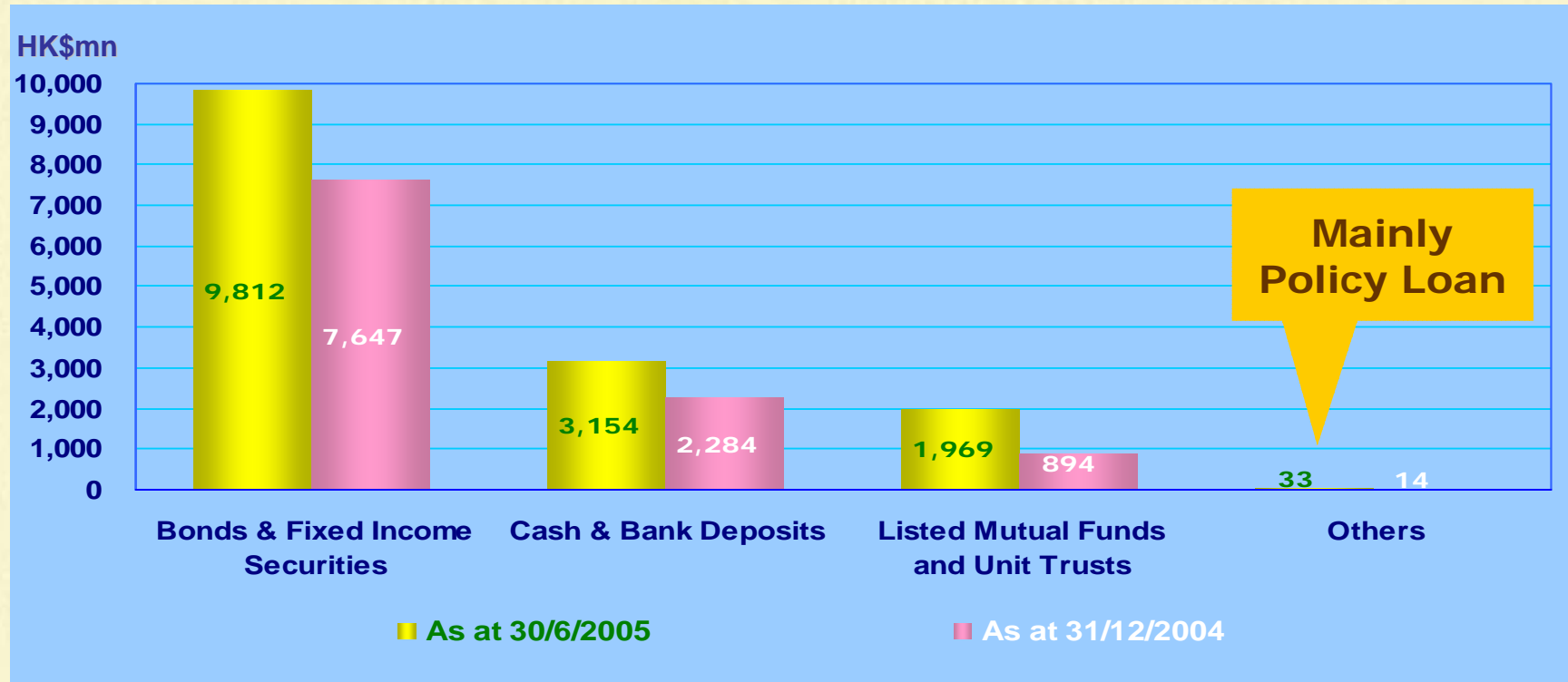
Six months
ended 30-Jun-04
(Restated)

Annualised Investment Return Rate
(Exclude unrealised gain/loss from AFS investments)

5.02%

4.04%

PRC Fund – Our Conservative Investment Portfolio



Annualised Investment Return Rate
(Exclude unrealised gain/loss from AFS investments)

Six months
ended 30-Jun-05

2.26%

Six months
ended 30-Jun-04
(Restated)

1.44%

Overview of Key Subsidiaries and Associates

Overview of CI Re

CIRe – Reinsurance Underwriting Performance

General and Life Reinsurance combined

		<u>1H2005</u> <u>HK\$ Million</u>	<u>1H2004</u> <u>HK\$ Million</u>
Gross premium	GPW	1,000	962
Retained premium	NPW	845	807
Retained earned premium	NEP	551	515
Retained ratio - NPW/GPW		84.5%	83.9%
Earned ratio - NEP/GPW		55.1%	53.5%
Net claims incurred	NCI	284	245
Net U/W expenses and other management expenses		220	205
Loss ratio - NCI/NEP		51.5%	47.9%
Expense ratio - TE/NEP		39.9%	39.8%
Combined ratio on earned premium		91.4%	87.7%
U/W Profit		47	65

Overview of TPL & TPP

TPL – Premium Structure (1/2)

By Business Lines

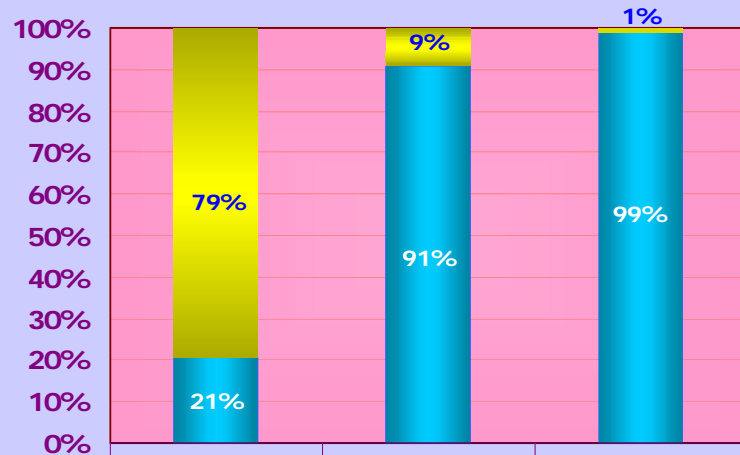
	1H2005		1H2004 (Restated)	
	HK\$Million	Mix(%)	HK\$Million	Mix(%)
Individual Life	370.33	16%	204.25	10%
Group Life	199.01	9%	150.26	8%
Bancassurance	1,720.09	75%	1,633.57	82%
	<u>2,289.43</u>		<u>1,988.08</u>	

During the Period, TPL continued to expand its three major business lines, namely individual life, group life and bancassurance.

TPL – Premium Structure (2/2)

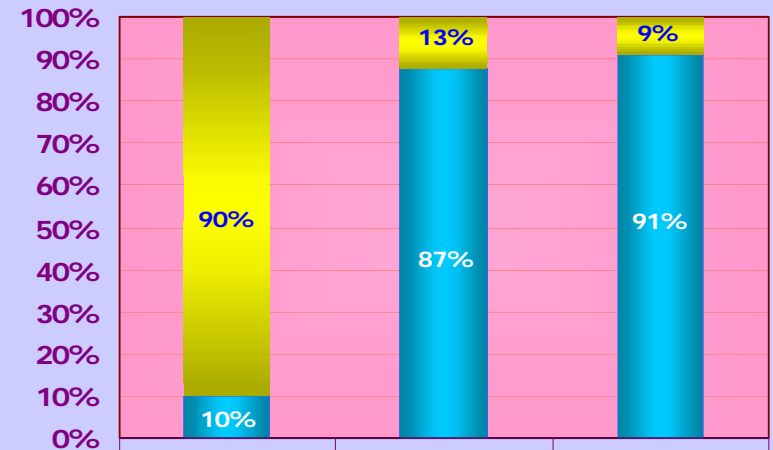
By Payment Modes

1H2004



	Individual	Group	Bancassurance
■ Regular Premium (HK\$m)	162	13	19
■ Single Premium (HK\$m)	42	137	1,615

1H2005



	Individual	Group	Bancassurance
■ Regular Premium (HK\$m)	334	25	156
■ Single Premium (HK\$m)	37	174	1,564

The higher proportion of regular premium products demonstrates the success of TPL's marketing strategy of developing and promoting long-term individual life policies with recurring premiums through the agency and bancassurance channels.

TPL – Other Indicators

Persistency ratios

	1H2005	FY2004	FY2003
13th month	77.4%	82.2%	81.4%
25th month	88.1%	89.2%	n/a

Number of in-force policies

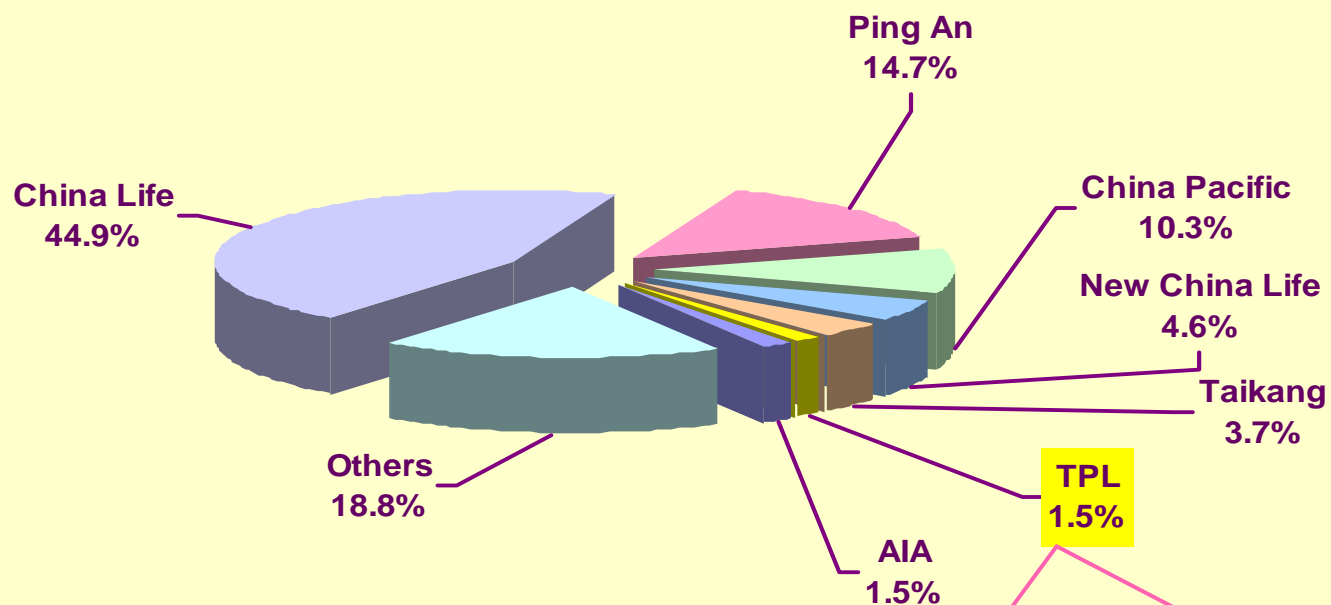
	At 30 Jun 05	At 31 Dec 04
Overall	857,200	575,900

Sales agents and outlets

	At 30 Jun 05	At 31 Dec 04
Individual life sales agents	16,263	10,629
Bancassurance outlets	16,067	11,745

TPL Market Share

Market Share Analysis



In 1H 2005, the market share of TPL is 1.5% (2004: 2%). TPL remains at Sixth Largest life insurer in PRC , based on premium figures released by CIRC

Taiping Pension – Recent Development

- ◆ Received permission from Ministry of Labour & Social Security in early August
- ◆ To operate as as Approved Trustee and Fund Manager for supplementary corporate pension business
- ◆ Completed necessary preparation and ready to expand
- ◆ TPP will use TPL's nationwide branch network as a platform to serve clients in corporate pension business.

Overview of TPI

TPI Business – Healthy Business Development

Results

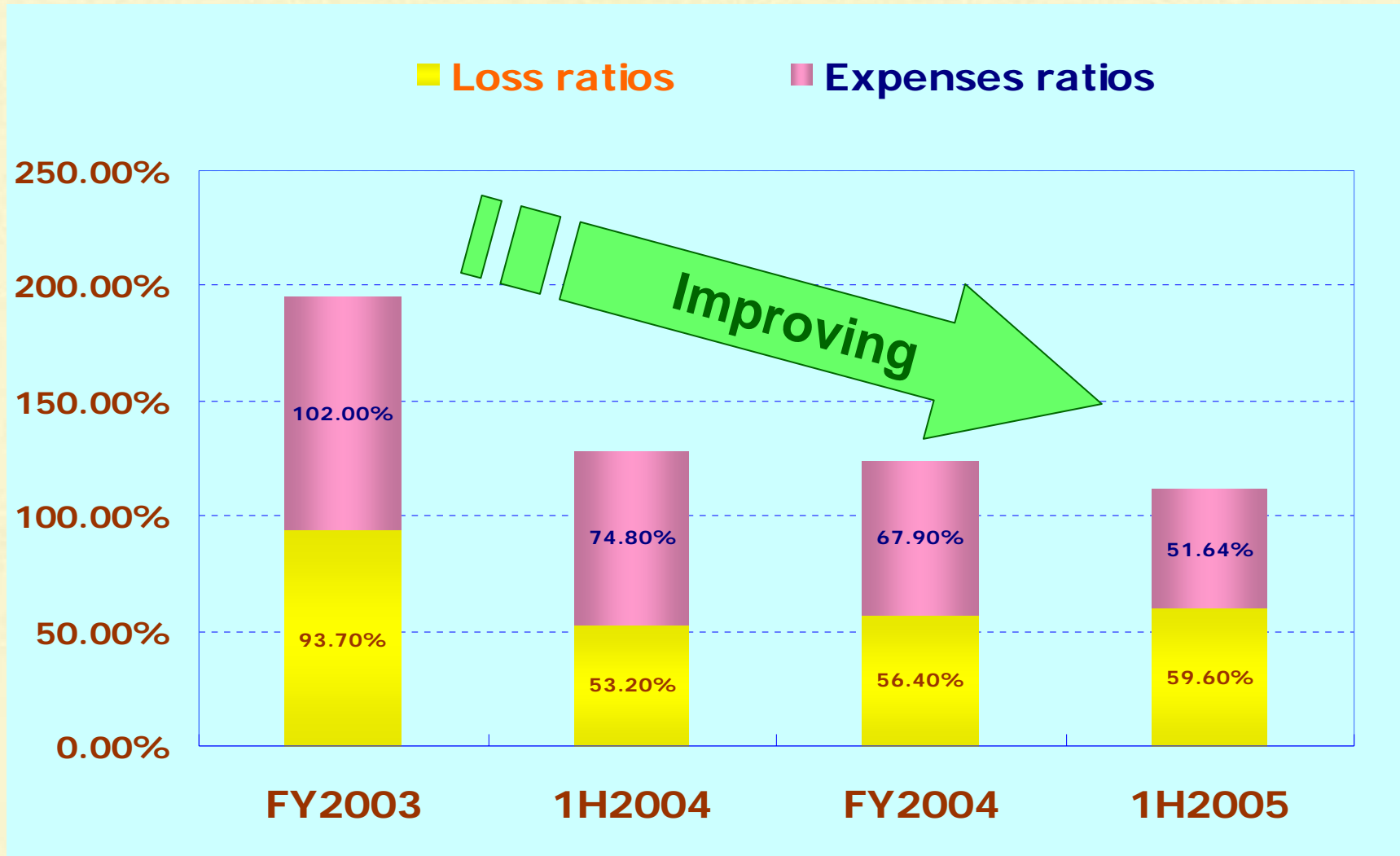
- ◆ TPI's operating loss for 1H2005: HK\$28.64 million (1H2004:HK\$46.20 million)
- ◆ Loss attributable to Group: HK\$11.46 million (1H2004:HK\$13.88 million)

Premium mix

	1H2005		1H2004	
	HK\$Million	Mix(%)	HK\$Million	Mix(%)
Motor	417.02	63.5%	245.53	57.0%
Non-marine	179.94	27.4%	146.02	33.9%
Marine	59.76	9.1%	39.20	9.1%
	<u>656.72</u>		<u>430.75</u>	

As with other insurers, motor business has been a large share of TPI's business mix...

TPI – Improvement in combined ratios



CIH

Thank you

