

CIIH

member of **CIG**  **中國保險集團** 成員

CHINA INSURANCE INTERNATIONAL HOLDINGS COMPANY LIMITED

2005 ANNUAL RESULTS PRESENTATION

7 April 2006

China Insurance International Holdings Company Limited

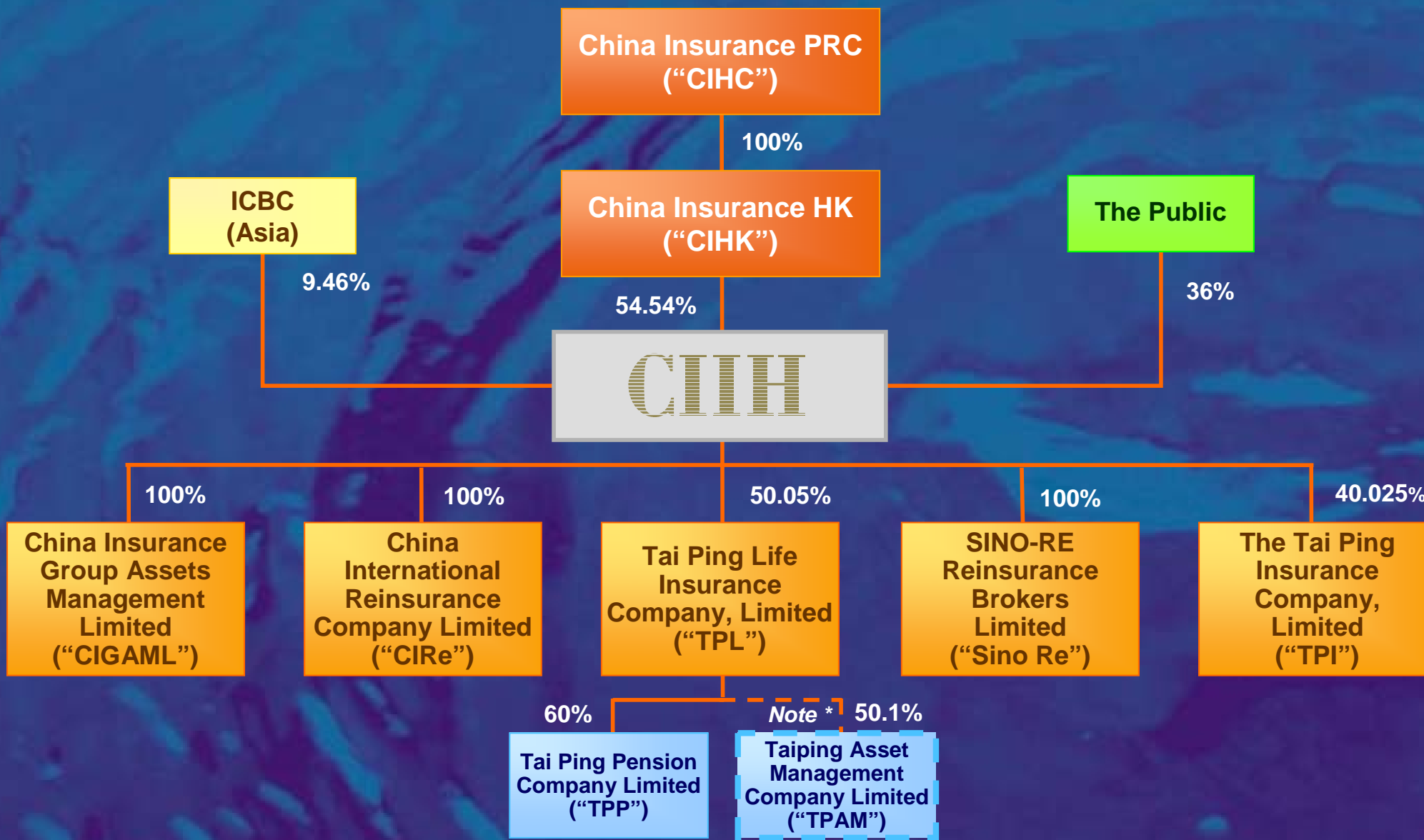
Forward-Looking Statements

This presentation and subsequent discussions may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our Annual Report.

Chairman's Remark

- ◆ Turnover increased by 17.8% to HK\$8,611.67 million
- ◆ Net losses attributable to shareholders increased to HK\$433.76 million
- ◆ TPL and TPI produced net operating losses, as both operations are still in their early stages of development
- ◆ Lower profit was contributed from CIRe due to the new world-record loss amounts from Hurricane Katrina and the occurrences of a number of other hurricanes or flooding events, and an extra tax provision for the potential tax exposure on offshore investment income in prior years
- ◆ Goodwill impairment related to CIH's acquisition of CIGAML back in 2002 was recognised in 2005
- ◆ Outlook for CIH: TPL and TPI are expected to break even in operating profits in 2006; CIRe's results are expected to return to normal

Organisation Chart



Note *: TPAM had not been established and had not commenced operation as at 7 April 2006.

2005 Annual Results – Group

HK\$ million

	2005	2004	Change
Gross premium written and policy fee	8,611.67	7,307.81	17.8%
Investment income and net gain	854.78	459.65	86.0%
Net exchange (loss)/gain	(94.89)	32.92	nm
Goodwill impairment and amortisation	(250.00)	(31.51)	7.9 times
Loss attributable to the Group	(433.76)	(22.94)	18.9 times
Basic loss per share (HK cent)	(32.5)	(1.7)	30.8 cents

2005 Annual Results – By Segment

HK\$ million

	2005	2004	Change
Reinsurance	73.61	198.00	(62.8%)
Life insurance	(159.29)	(167.49)	(4.9%)
Property and casualty insurance	(52.99)	(30.72)	72.5%
Corporate and other businesses	(45.09)	8.78	nm
Net (loss)/profit attributable to the Group before goodwill impairment and amortisation	* (183.76)	* 8.57	nm
Goodwill impairment and amortisation	(250.00)	(31.51)	7.9 times
Net loss attributable to the Group after goodwill impairment and amortisation	(433.76)	(22.94)	18.9 times

* The amount includes the net exchange loss of HK\$94.89 million for 2005 (2004: gain of HK\$32.92 million).

Group Highlights

Reinsurance Operations

- ◆ Lower operating profits due to significant catastrophe claims during the Year; CIRe also made a provision of HK\$35 million for potential tax exposures on offshore investment income in prior years

Mainland China Operations (TPL, TPI)

- ◆ The life insurance and property and casualty insurance businesses are still in their early stages of development and are experiencing operating losses, which are expected and in line with their respective business plans
- ◆ An one-off adjustment of life reserve estimates in the Last Year, which caused the net operating loss in the Last Year to decrease by approximately HK\$94 million
- ◆ Exchange losses of approximately HK\$30.15 million, in which the Group shared approximately HK\$15.09 million, was incurred in the foreign currency capital of TPL due to the appreciation of the RMB by 2% in July 2005

Corporate and Other

- ◆ The new accounting standard HKFRS 2 requires the recognition of fair value of share options granted to the Group's employees as an expense in the consolidated income statement, HK\$20.63 million was charged for the purpose
- ◆ The Group was required by accounting standards to recognize the impairment of HK\$250.00 million in goodwill associated with the acquisition of CIGAML (the operating company for the assets management business) in September 2002

Reinsurance Business – CIRe Review

Reinsurance Business Financial Review

HK\$ million

	2005	2004	Change
Gross premium written	1,256.40	1,092.46	15.0%
Net premium written	1,037.85	912.06	13.8%
Net earned premium written	1,011.82	904.68	11.8%
Net claims incurred	(750.62)	(652.60)	15.0%
Net commission expenses	(235.55)	(210.17)	12.1%
Underwriting profit	8.74	25.83	(66.2%)
Net investment income	191.68	167.86	14.2%
Net exchange (loss)/gain	(65.93)	29.85	nm
Profit attributable to shareholders	73.61	198.00	(62.8%)

Key Performance Indicators

	2005	2004	Change
Solvency margin ratio	74.6%	66.3%	8.3 pts
Technical reserves ratio	200.7%	207.4%	(6.7 pts)
Retained ratio	82.6%	83.5%	(0.9 pt)
Earned premium ratio	80.5%	82.9%	(2.4 pts)
Loss ratio	74.2%	72.2%	2.0 pts
Expense ratio	25.0%	25.0%	-
Combined ratio	99.2%	97.2%	2.0 pts

Reinsurance Business

Highlights

- ◆ Significant catastrophe claims – including Hurricane Katrina, a flooding in Mumbai and the ASE Chungli Plant Fire – were reported during the Year
- ◆ Despite the significant catastrophe claims, 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

Reinsurance Business

Highlights

- ◆ Effective retrocession arrangements diluted the loss impact of Katrina and other major loss events; in addition, the positive development of CIRe's prior years loss development has enabled CIRe to achieve marginal underwriting profit
- ◆ CIRe also made a provision of HK\$35 million for potential tax exposures on offshore investment income in prior years

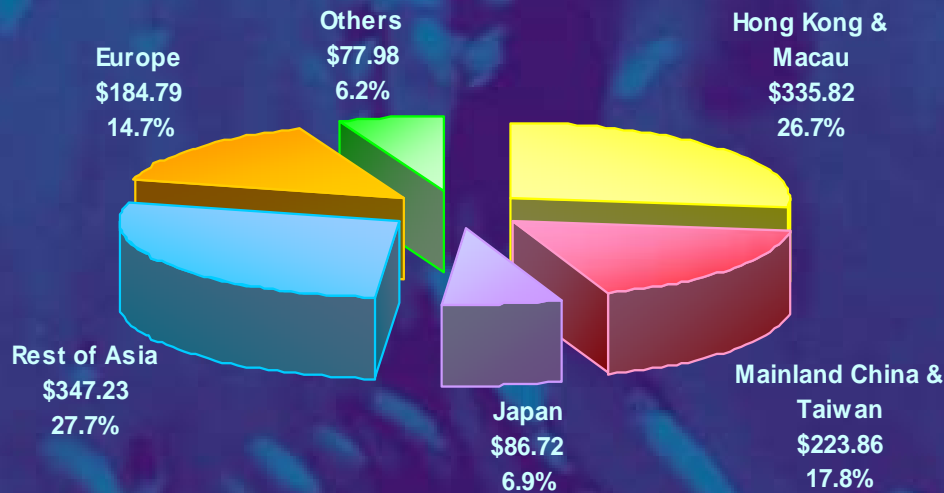
Reinsurance Business

Gross Premium Written – Geographical Distribution

HK\$ million

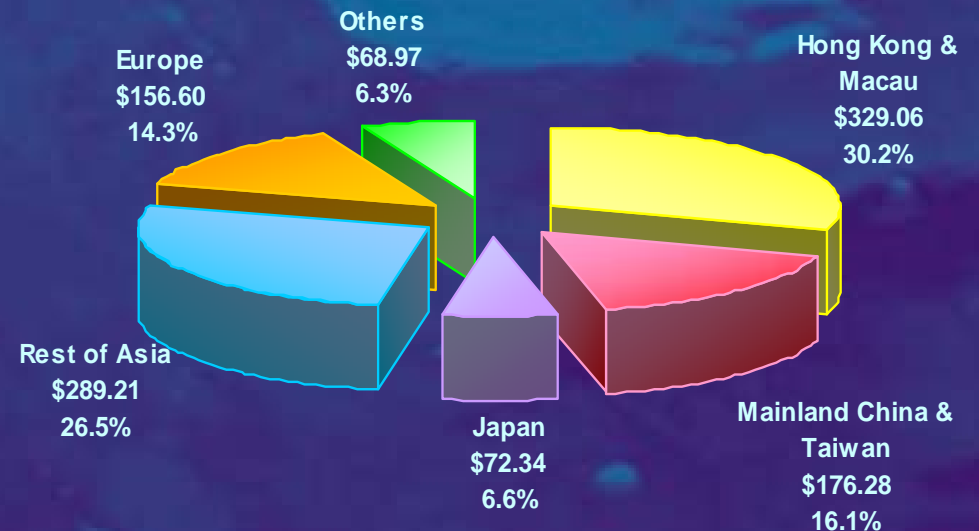
2005

Total: HK\$1,256.40 million



2004

Total: HK\$1,092.46 million



Reinsurance Business

Investment Review

Investment Income and Yield HK\$ million

Net investment income

2005

2004

Change

191.68

167.86

14.2%

Net investment yield

5.9%

6.0%

(0.1 pt)

Remark: The above net investment income and investment yield do not include the net exchange loss of HK\$65.93 million (2004: gain of HK\$29.85 million). The exchange loss was mainly due to non-HK and non-US dollar invested assets, which are held primarily for matching the non-HK and non-US dollar insurance liabilities and which depreciated against the HK dollar during the Year.

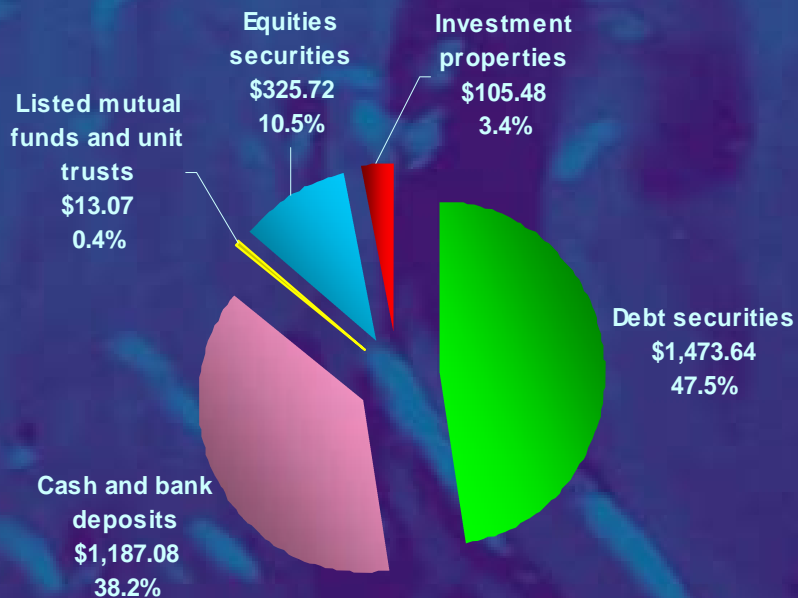
Reinsurance Business

Investment Review

Investment Composition

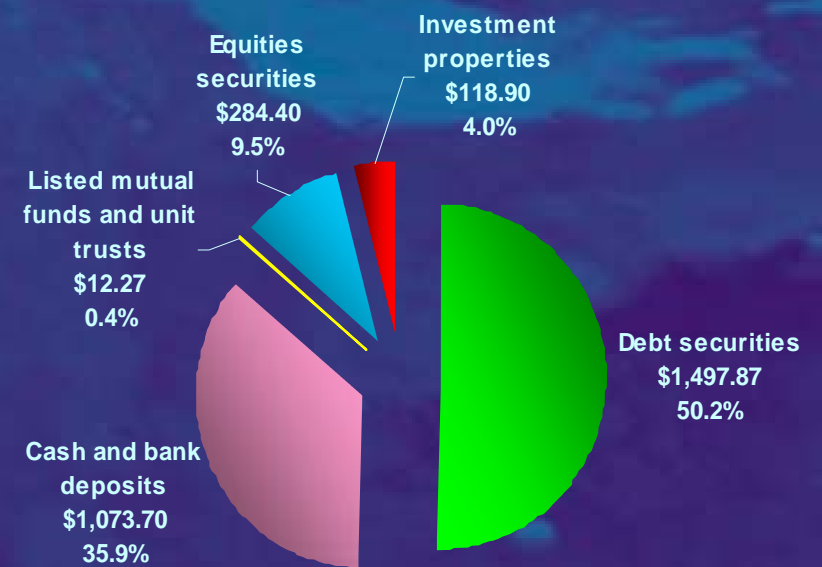
2005

**Total Invested Assets:
HK\$3,104.99 million**



2004

**Total Invested Assets:
HK\$2,987.14 million**



Life Insurance Business – TPL Review

Life Insurance Business

Financial Review

HK\$ million

	2005	2004	Change
Gross premium written (including investment contract premium) under PRCGAAP	7,449.28	6,217.61	19.8%
Less: investment contract premium	(98.19)	(2.38)	41.3 times
Gross premium written under HKGAAP	7,351.09	6,215.23	18.3%
Net premium written and policy fee	7,306.10	6,178.72	18.3%
Net earned premium written and policy fee	7,206.22	6,136.81	17.4%
Net Investment Income	597.91	198.64	201.0%
Net exchange (loss)/gain	(30.15)	0.7	nm
Policyholders benefits	(672.32)	(354.33)	89.7%
Net commission expenses	(573.60)	(442.06)	29.8%
Change in life insurance funds	(5,785.23)	(5,326.36)	8.6%
Administrative and other expenses	(1,091.11)	(617.17)	76.8%
Operating loss	(320.88)	(333.81)	(3.9%)
Loss attributable to the Group before goodwill amortisation	(159.29)	(167.49)	(4.9%)

Life Insurance Business

Highlights

- ◆ Despite an operating loss, the performance of TPL is considered satisfactory and is in line with its business plan at this early stage of development
- ◆ An one-off adjustment of life reserve estimates in the Last Year, which caused the net operating loss in the Last Year to decrease by approximately HK\$94 million
- ◆ Exchange losses of approximately HK\$30.15 million, in which the Group shared approximately HK\$15.09 million, was incurred in the foreign currency capital of TPL due to the appreciation of the RMB by 2% in July 2005

Life Insurance Business

Highlights

- ◆ Increase in gross premium primarily driven by strong performance of the Bancassurance channel; successful launch of new Universal Life products targeted at banking clients in late 2005 provided strong growth momentum for the Bancassurance channel
- ◆ TPL also significantly increased its agency force, from 9,374 to 18,413. Gross premium written for the individual line of business substantially increased, from HK\$531.87 million to HK\$864.57 million, representing an increase of 62.6%
- ◆ TPL also improved the quality of its business, as regular premium products constituted a higher percentage of premiums than in years past; regular premium products have higher profit margins than single premium products

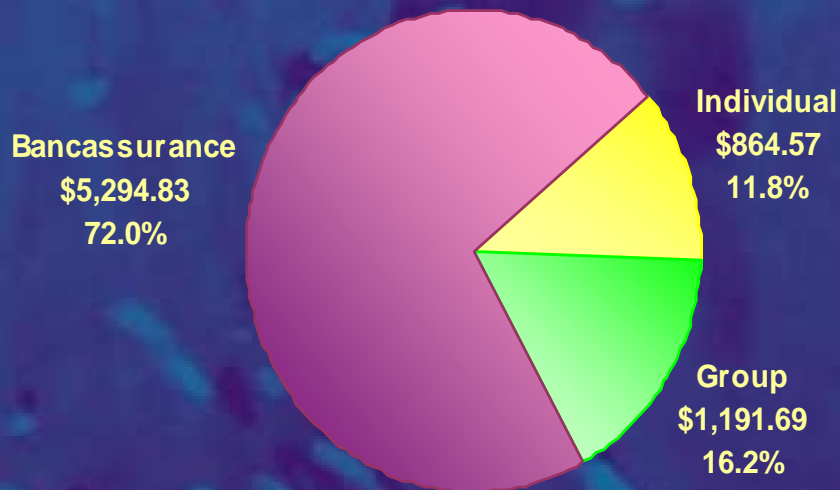
Life Insurance Business

Gross Premium Written

HK\$ million

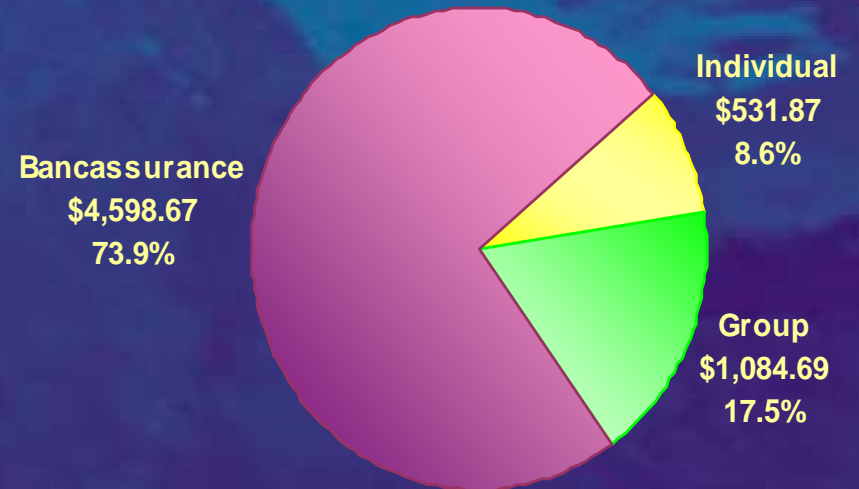
2005

Total: HK\$7,351.09 million



2004

Total: HK\$6,215.23 million

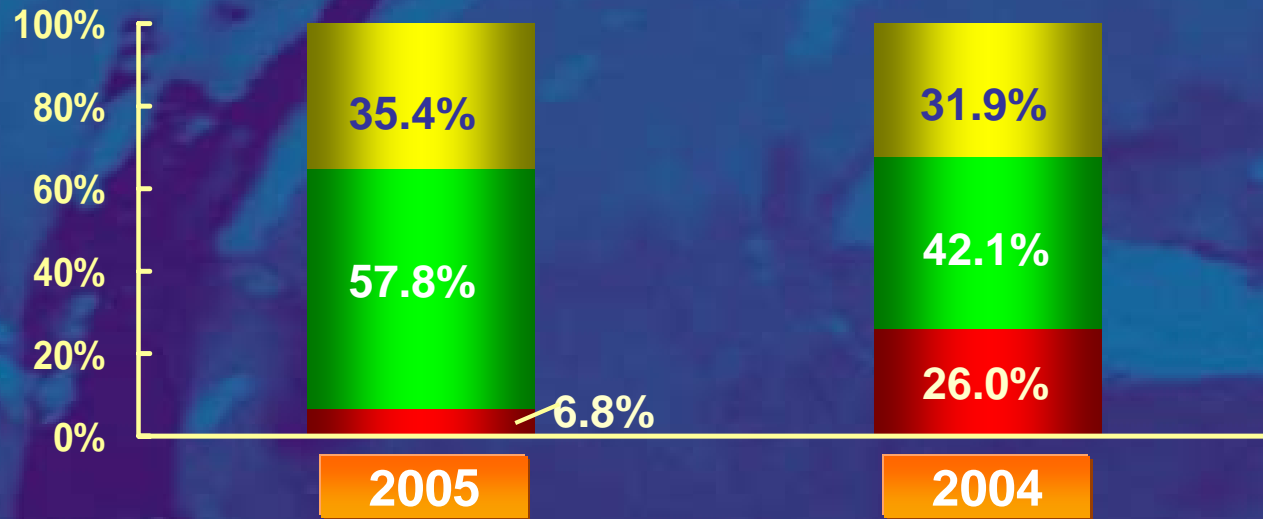


Life Insurance Business

Gross Premium Written

HK\$ million

Individual



■ Regular Premium -
Renewal Year

■ Regular Premium -
First Year

■ Single Premium

2005

499.25

58.98

2004

223.89

138.35

306.34

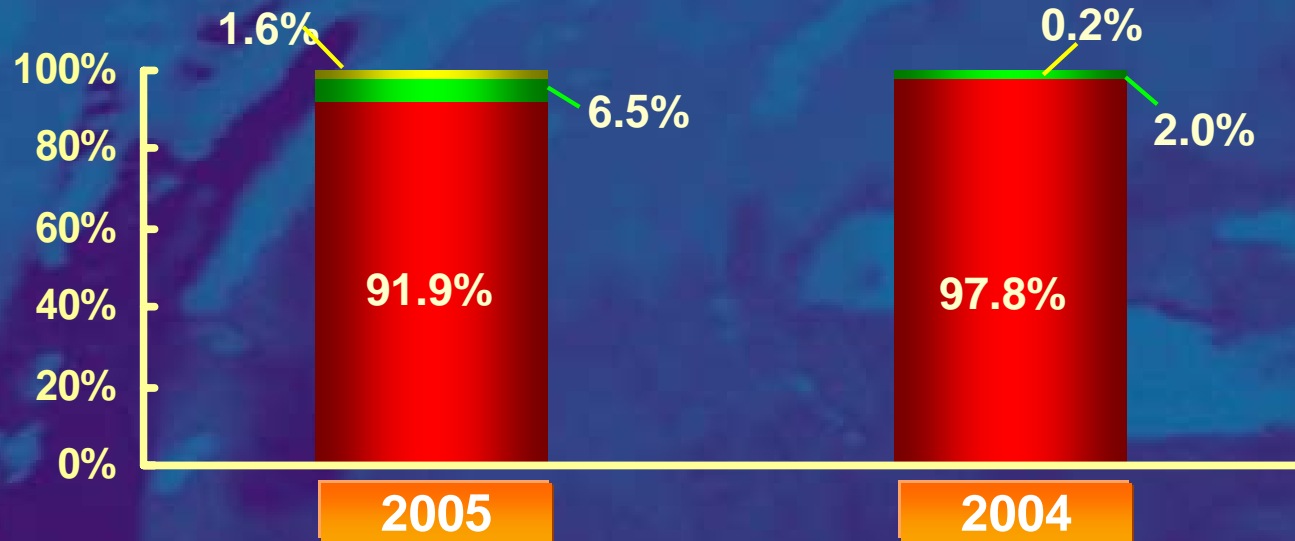
169.63

Life Insurance Business

Gross Premium Written

HK\$ million

Bancassurance



■ Regular Premium -
Renewal Year

■ Regular Premium -
First Year

■ Single Premium

2005

\$84.53

\$341.80

\$4,868.50

2004

\$8.80

\$90.35

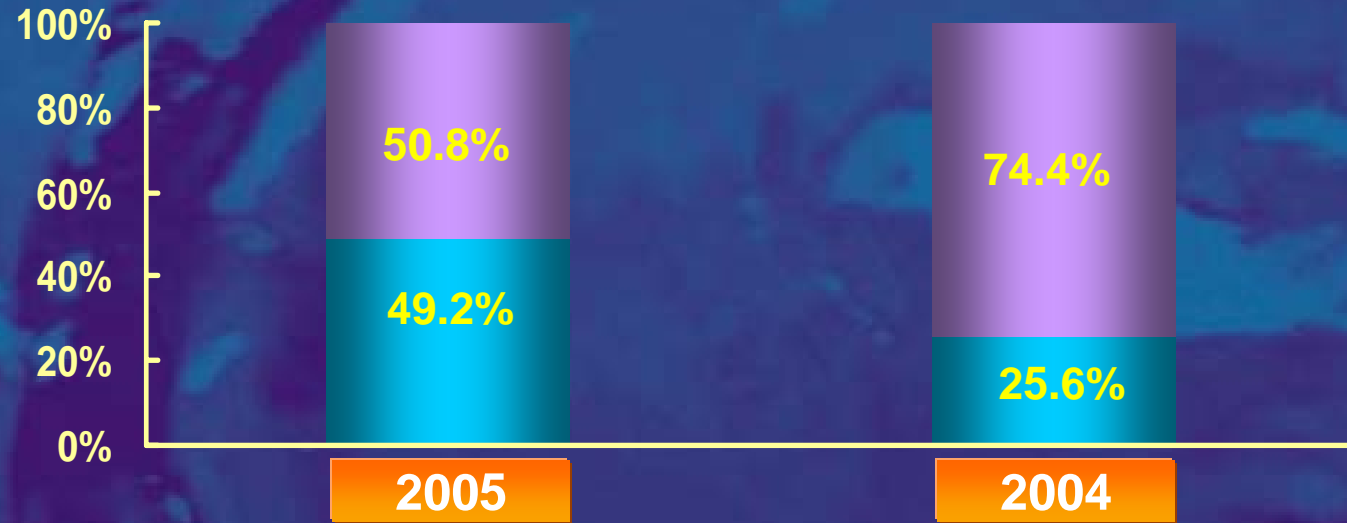
\$4,499.52

Life Insurance Business

Gross Premium Written

HK\$ million

Group



- Annuity
- Employee Benefit ("EB")

605.63

586.06

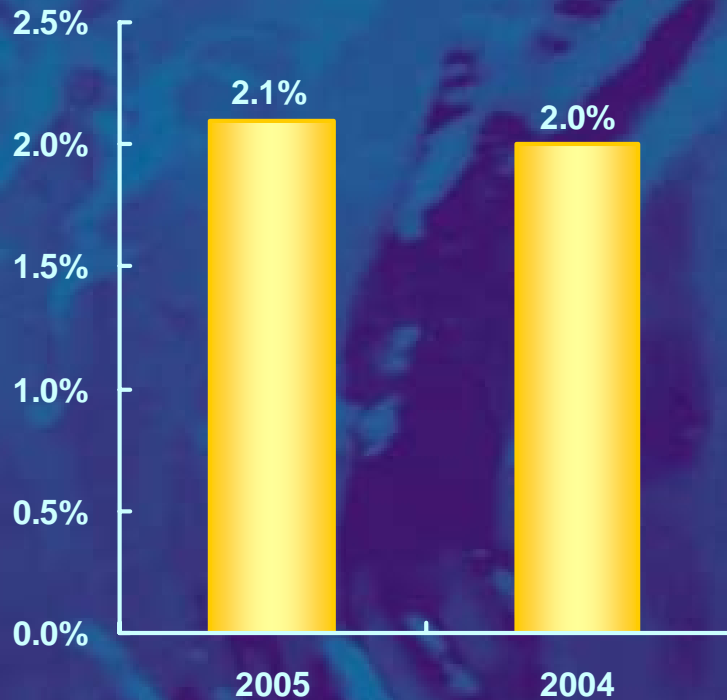
807.21

277.48

Life Insurance Business

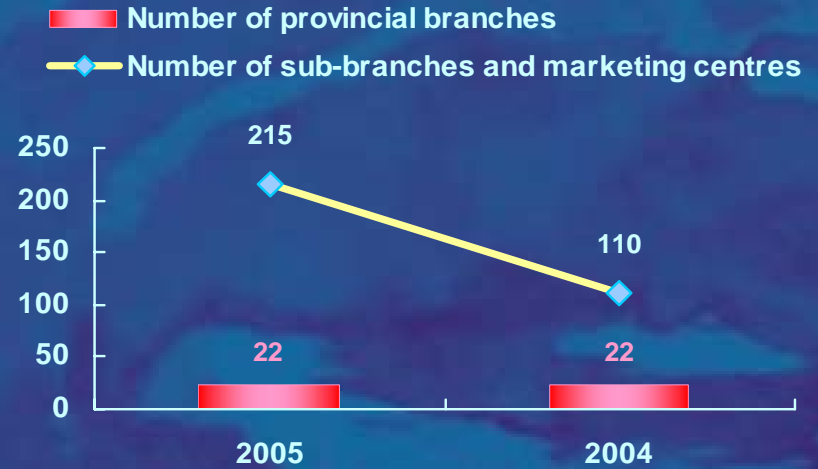
Key Operational Data

Market Share

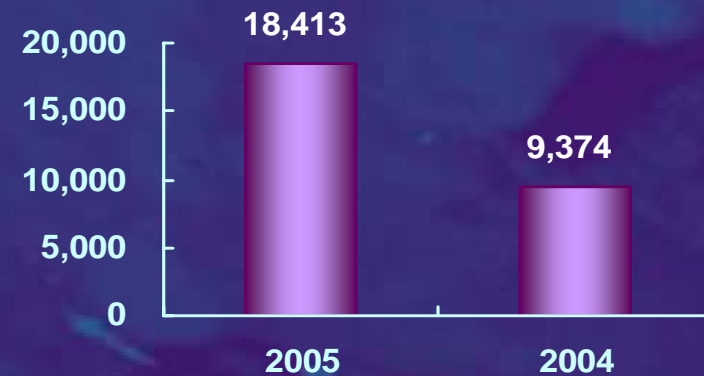


Based on the gross premium written (including investment contract premium) in accordance with PRCGAAP and published by the CIRC.

Number of Branches



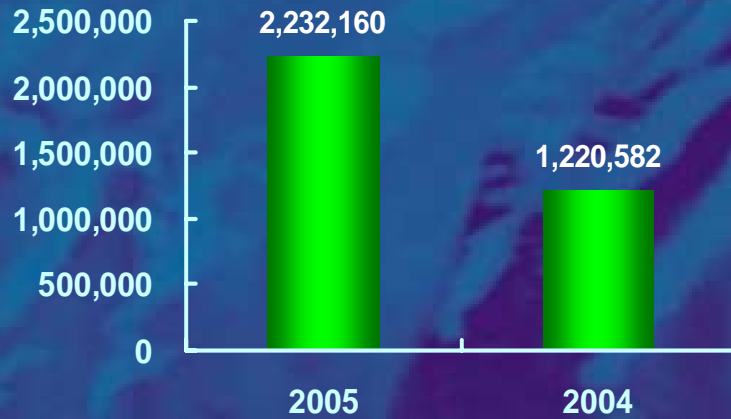
Number of Sales Agents



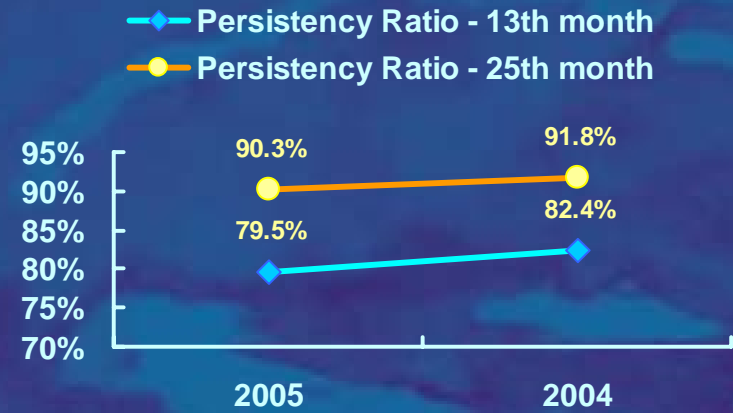
Life Insurance Business

Key Operational Data

Number of In-Force Policies

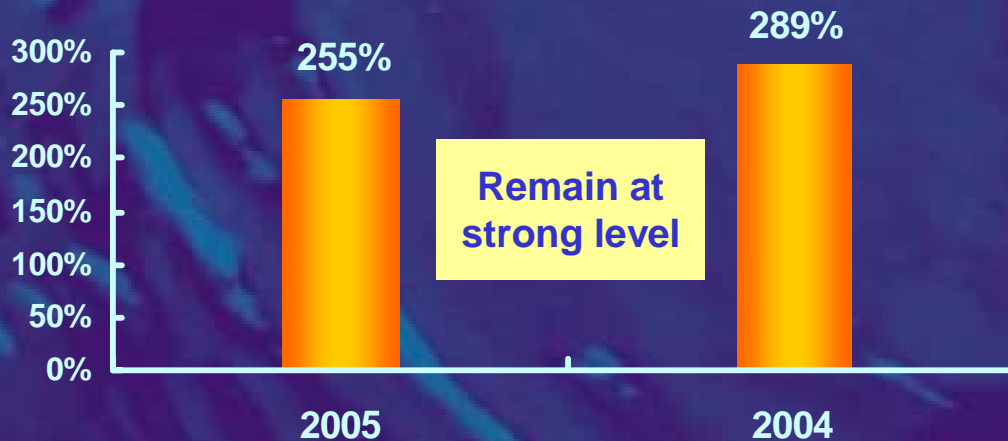


Persistency Ratio



Based on the amount of premium

Solvency Margin Ratio



Life Insurance Business

Investment Review

Investment Income and Yield

HK\$ million

	2005	2004	Change
Net investment income	597.91	198.64	201.0%
Net investment yield	4.3%	3.1%	1.2 pts

Remark: The above net investment income and investment yield do not include a net exchange loss of HK\$30.15 million (2004: gain of HK\$0.7 million). The exchange loss was incurred in the foreign currency capital assets due to the appreciation of the RMB by 2% in July 2005.

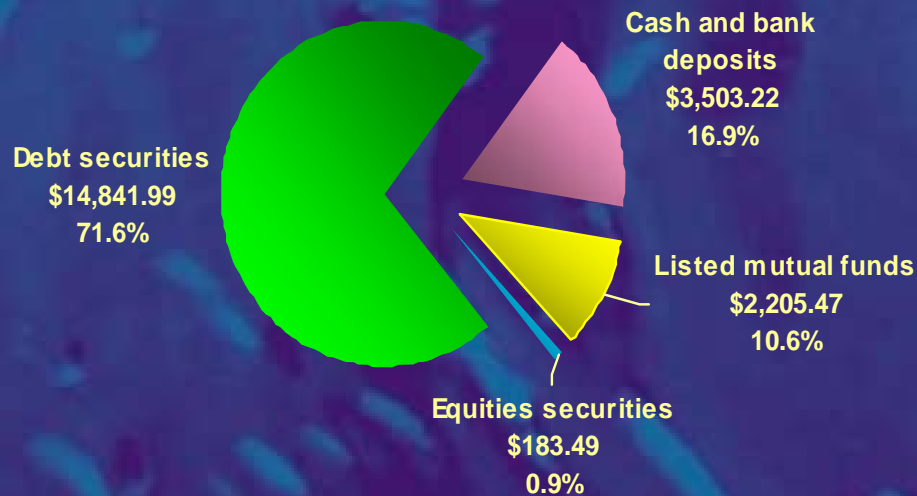
Life Insurance Business

Investment Review

Investment Composition

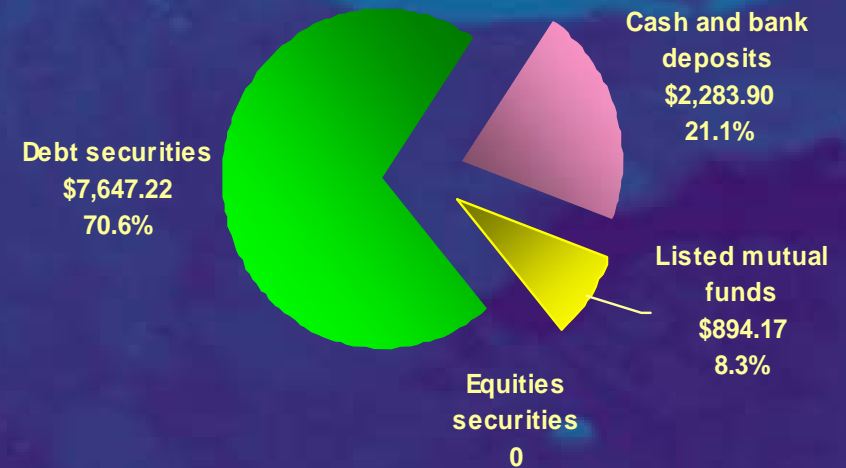
2005

**Total Invested Assets:
HK\$20,734.17 million**



2004

**Total Invested Assets:
HK\$10,825.29 million**



Property and Casualty Insurance Business – TPI

Review

Note: P&C Insurance business is not consolidated into the Group Accounts

Property and Casualty Insurance Business

Financial Review

HK\$ million

	2005	2004	Change
Gross premium written	1,323.13	873.24	51.5%
Net premium written	1,094.49	690.61	58.5%
Net earned premium written	888.34	470.16	88.9%
Operating loss	(132.40)	(102.23)	29.5%
Loss attributable to the Group	(52.99)	(30.72)	72.5%

Key Performance Indicators

	2005	2004	Change
Retained ratio	82.7%	79.1%	3.6 pts
Technical reserve ratio	112.3%	131.2%	(18.9 pts)
Earned premium ratio	67.1%	53.8%	13.3 pts
Loss ratio	68.4%	56.4%	12.0 pts
Expense ratio	54.6%	67.9%	(13.3 pts)
Combined ratio	123.0%	124.3%	(1.3 pts)

Property and Casualty Insurance Business

Highlights

- ◆ Operating result was not satisfactory due to high claims frequency in 2005; TPI was unfortunately hit by seven strong typhoons/snowstorms and five major marine claims
- ◆ Severe and unhealthy competition intensified by new insurance entities entering the P&C insurance market in China; this presented TPI with great difficulties in pursuing healthy premium growth and its goal for underwriting profitability
- ◆ Both loss ratios and expense ratios were on the high side due to unsatisfactory claims experience during the Year and the lack of economies of scale in the business at this stage

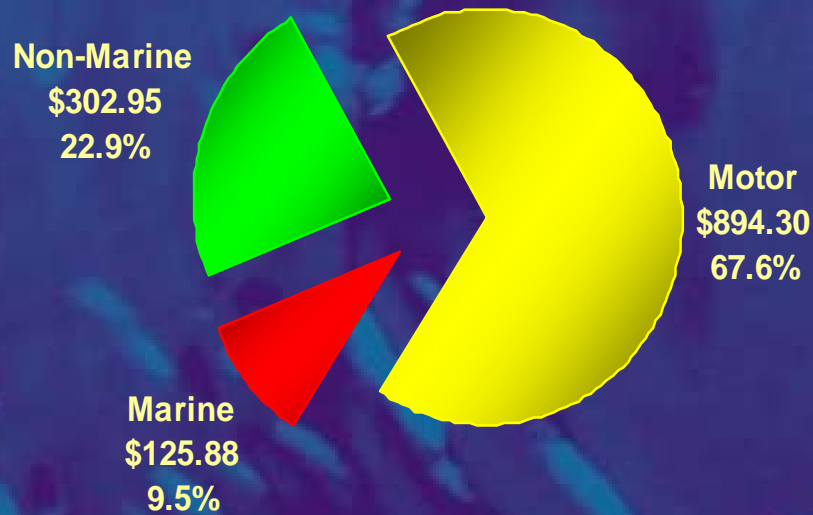
Property and Casualty Insurance Business

Gross Premium Written

HK\$ million

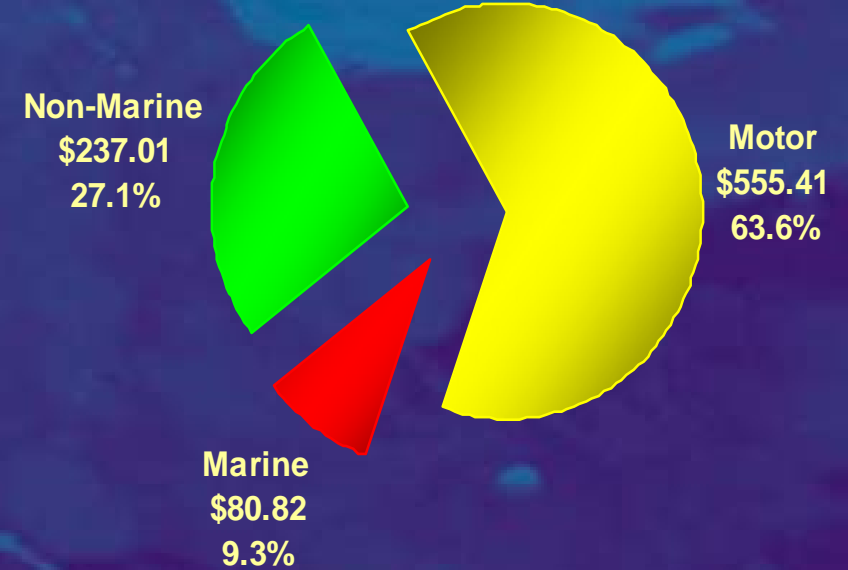
2005

Total: HK\$1,323.13 million



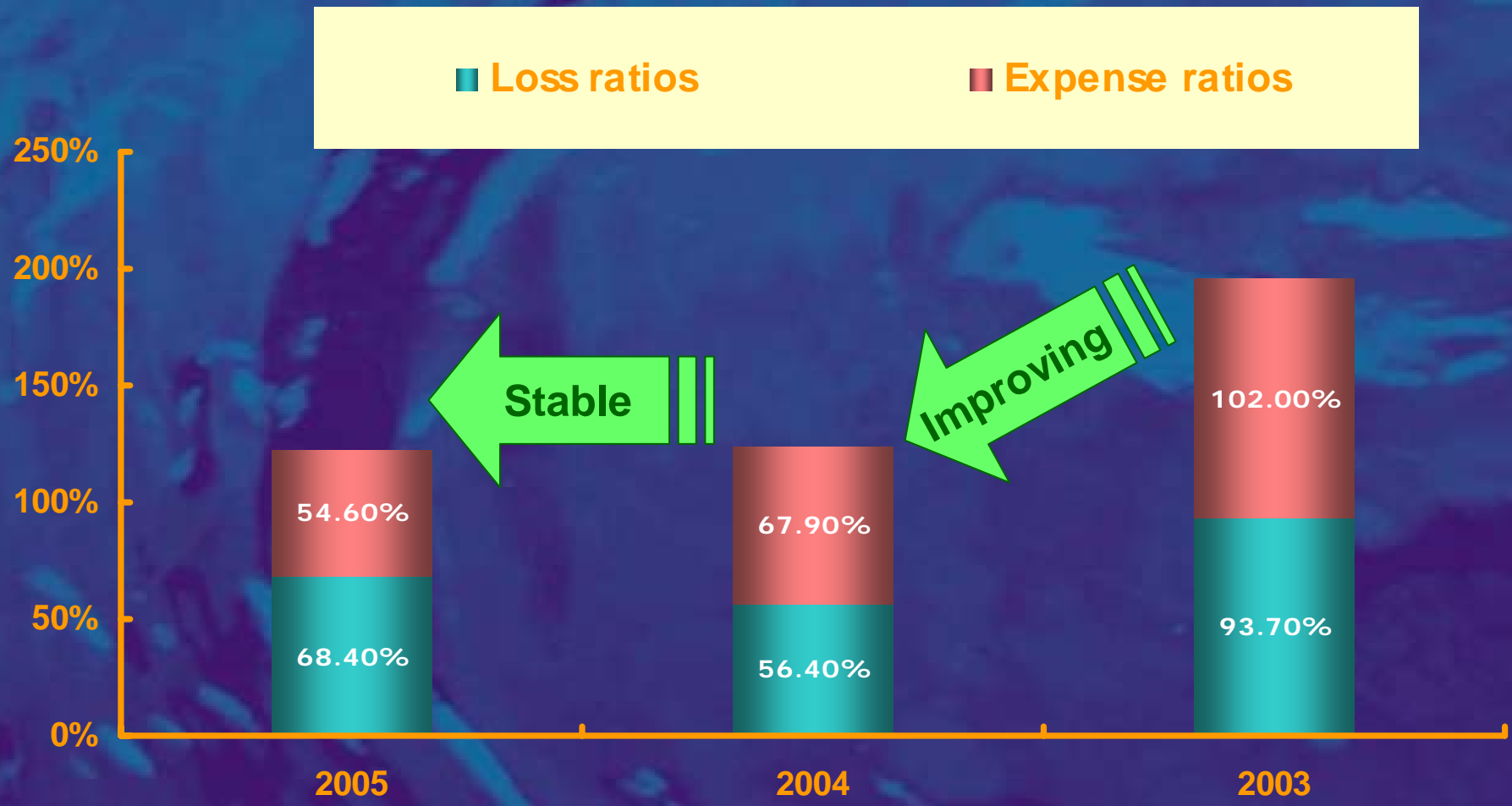
2004

Total: HK\$873.24 million



Property and Casualty Insurance Business

Improvement in Combined Ratios



Corporate and Other Business Review

Corporate and Other Businesses

HK\$ million

Assets Management Business	2005	2004	Change
Assets management fee income	4.38	23.82	(81.6%)
Investment income	19.08	19.24	(0.8%)
Profit attributable to the Group before goodwill impairment and amortisation	6.72	25.47	(73.6%)
Assets under management at 31 December	4,828.11	2,529.03	90.9%

Insurance Intermediary Business

	2005	2004	Change
Insurance intermediary income	10.97	11.29	(2.8%)
Profit attributable to the Group	5.65	7.73	(26.9%)

Corporate and Other Businesses

Highlights

- ◆ The Board 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 faces 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 recognize an impairment of the goodwill

Corporate and Other Businesses

Highlights

- ◆ The decision to recognize an impairment of goodwill is an accounting issue and will only affect the accounting profit and loss of the Group; the cash flows of the Group will not be affected by this decision
- ◆ CIH remains highly confident that CIGAML will continue to play a central role in the overall Group's investment strategy; this decision will not impact CIGAML's operations in any way. CIGAML remains profitable, and continues to be a positive cash flow contributor to CIH
- ◆ Management and the Board of Directors of CIH believe that this recognition of goodwill impairment decision is in the best interests of its shareholders and investors; CIH is highly focused on financial transparency and best practices, and strictly adheres to the Hong Kong accounting rules

Outlook

Outlook

Reinsurance Business – CIRe

- ◆ Following the highest-ever in history catastrophe losses in 2005, all reinsures, including CIRe, expect to see an upsurge in reinsurance demand, along with calls for more stringent risk management and exposure controls, both of which will contribute to a positive development of the entire reinsurance market
- ◆ CIRe has made further progress in expanding into the Mainland China market with the establishment of its Beijing Representative Office, which was formally licensed by the CIRC in November 2005. This office is now ready to begin operations and will enhance CIRe's services and contacts with insurers domiciled in Northern and Northeastern China

Outlook

Reinsurance Business – CIRe

- ◆ In line with the long-held policy of CIRe to pursue positive results from its underwriting operation and to invest its funds conservatively for steady and stable investment income, CIRe is expected to resume its satisfactory operating performance in 2006, provided both claims frequency and severity return to normal levels

Outlook

Life insurance Business – TPL

- ✦ The entire economy of China is continuing to expand at a healthy rate, and the life insurance industry is likewise developing in a positive manner. TPL will continue to strive for higher market share in this environment (its market share has increased to 3% as of February). TPL's primary focus in 2006, however, will be to achieve breakeven in operating profits
- ✦ Stringent measures and steps have been imposed to tighten cost control and to enhance productivity and persistency ratios at policy renewals. Such measures will enable TPL to produce sustainable and healthy growth in its premium and policy values over the long term

Outlook

Life insurance Business – TPL

- ◆ 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
- ◆ The management of the Group and TPL understand that achieving breakeven for TPL in its fifth full year of operations is an ambitious goal, as internationally life insurance companies usually break even only in the seventh year of operation, but will strive to achieve the breakeven goal with its best endeavours

Outlook

Property and Casualty Insurance business – TPI

- ◆ Whilst the market trading environment in P&C insurance industry in China is challenging, the insurance authority recently launched directives with an aim to remedy and improve the market discipline by abolishing rebates, excessive commissions and other irregularities which have damaged the profit margins of the industry
- ◆ With the distribution network built up over the last four years, TPI is well-positioned to take advantage of the possible improvement in trading environment for healthy growth in business in the coming year

Outlook

Property and Casualty Insurance business – TPI

- ◆ Measures have also been taken to control operating expenses and to improve the standards of underwriting and claims handling
- ◆ It is anticipated that these measures, together with the turn of the general market conditions, will enable TPI to achieve its goal of breaking even in operating profitability at the end of its fifth full year of operations, 2006