

[For immediate release]



CIIH Announces 2006 Interim Results

(17 August, 2006, Hong Kong) China Insurance International Holdings Company Limited (“CIIH” or the “Group”; stock code: 966) today announced its interim results for the six months ended 30 June 2006 (the “Period”).

In the first half of 2006, CIIH’s gross premiums written and policy fee increased significantly by 88.7% to HK\$7,061.50 million. The net profit attributable to the Group for the Period was HK\$328.29 million (2005: loss of HK\$43.77 million). The Group’s results improved over that of the Last Period primarily because of improvements in profitability at each of our business segments.

The **reinsurance business** contributed net profit to the Group of HK\$205.27 million (2005: HK\$76.76 million). The improvement in net profit was mainly due to stable underwriting profits and a strong investment performance during the Period.

The **life insurance business** contributed net profit to the Group of HK\$128.47 million (2005: loss of HK\$83.87 million). This profit during the Period represents an important milestone in the Group’s and TPL’s strategic objective to achieve profitability for the full year in 2006.

The **property and casualty business** contributed a net profit to the Group of HK\$4.35 million (2005: loss of HK\$11.46 million). This profit during the Period represents a very positive trend at the property and casualty business, which strategically aims to achieve a break-even result for the full year in 2006.

The performance highlights of the Group for the Period are summarised as follows:

For the six months ended 30 June, HK\$ million

	2006	2005	Change
Gross premiums written and policy fee	7,061.50	3,743.17	88.7%
Net investment income and net gain	948.21	315.80	200.3%
Net exchange gain/(loss)	24.95	(46.87)	nm
Profit/(loss) attributable to the Group	328.29	(43.77)	nm
Basic earnings/(loss) per share (HK cent)	24.5	(3.3)	nm

The net profit/(loss) attributable to the Group by each business line is summarised below:

For the six months ended 30 June, HK\$ million

	2006	2005	Change
Reinsurance	205.27	76.76	167.4%
Life insurance	128.47	(83.87)	nm
Property and casualty insurance ¹	4.35	(11.46)	nm
Corporate and other businesses	(9.80)	(25.20)	(61.1%)
Net profit/(loss) attributable to the Group	328.29	(43.77)	nm

¹The property and casualty insurance business is operated by TPI which is an associated company of the Group under the Hong Kong accounting standards and is not consolidated into the Group on a line-by-line basis. Therefore, the property and casualty insurance business does not constitute a separate segment of the Group. Instead, the share of results of TPI for the financial year is recognised and reported as “Share of profits/(losses) of associates” in the consolidated income statements. The equity interest of TPI held by the Group at the balance sheet date is recognised and reported as “Interest in associates” in the consolidated balance sheet.

Interim dividend

The Directors resolved not to recommend any interim dividend for the Period (2005: Nil).

Reinsurance Business – China International Reinsurance Company Limited (“CIRE”)

CIRE contributed net profit to the Group of HK\$205.27 million (2005: HK\$76.76 million). The net profit attributable to the Group for the Period is one of CIRE’s best interim results in recent years. The positive performance during the Period was mainly due to higher equity investment income, positive exchange rate movements, and higher interest rates on cash deposits. The underwriting profit, however, decreased to HK\$26.54 million from HK\$47.18 million in the Last Period. The lower underwriting profit was due to the strong premium growth during the Period, which resulted in a large increase in the unearned premium provisions and the immediate expensing of underwriting commissions and policy acquisition costs for the Period, which increased along with the larger premium income written.

CIRE’s gross premiums written increased strongly by 21.7% to HK\$1,216.23 million from HK\$999.61 million in the Last Period. The increase was primarily due to the continued growth of the underlying insurance markets within Asia. Mr. Feng Xiaozeng, the Chairman of CIH, said: “CIRE has been able to maintain its core clients and core reinsurance contracts with reasonable terms and conditions. In certain markets, such as in Mainland China and Singapore, CIRE was able to acquire additional new business and increase its market share.”

CIRE’s net claims incurred increased by 45.4 % to HK\$413.48 million from HK\$284.46 million in the Last Period. The loss ratio also increased to 59.2% from 51.5% in the Last Period. Although no major catastrophes or fire risk losses occurred which affected CIRE during the Period, there were a number of marine losses, involving hull or cargo interests.

Life Insurance Business – Tai Ping Life Insurance Company, Limited (“TPL”)

TPL contributed net profit to the Group of HK\$128.47 million (2005: loss of HK\$83.87 million). Mr. Feng Xiaozeng said, “The life insurance business’s profit during the Period is in line with our business plan and strategic goal for the year of 2006, which is the fifth full year of operation for TPL. The strong performance for the Period was mainly attributable to strong premium growth, strict controls on costs and expenses, as well as improved returns on investment assets.”

TPL’s gross premiums written increased by 113.0% to HK\$5,841.63 million from HK\$2,742.04 million in the Last Period. TPL’s gross premiums written, by line of business, was as follows:

For the six months ended 30 June, HK\$ million

Distribution Channel	2006	% to Total	2005	% to Total
Individual	632.83	10.8%	370.33	13.5%
Group	801.06	13.7%	651.62	23.8%
Bancassurance	4,407.74	75.5%	1,720.09	62.7%
	5,841.63	100.0%	2,742.04	100.0%

Premium growth was mainly driven by the strong performance of the bancassurance channel, in which premiums increased by 156.3% to HK\$4,407.74 million from HK\$1,720.09 million in the Last Period. The premium distributed through individual agents increased by 70.9% to HK\$632.83 million from HK\$370.33 million in the Last Period, while the premium on group life also increased by 22.9% to HK\$801.06 million from HK\$651.62 million in the Last Period.

Property and Casualty Insurance Business – The Tai Ping Insurance Company, Limited (“TPI”)

TPI contributed net profit to the Group of HK\$4.35 million (2005: loss of HK\$11.46 million). The performance during the Period is encouraging and is an important step towards TPI’s objective of achieving a break-even result for the full year in 2006, TPI’s fifth full-year of operations. TPI’s gross premiums written increased by 46.1% to HK\$959.15 million from HK\$656.72 million in the Last Period.

Prospects

In the first half of 2006, through its subsidiaries and associated companies, CIH achieved an impressive result which represents a significant milestone for the Group’s objective of achieving breakeven or profitability in its PRC businesses in 2006, the fifth full-year of operations for TPL and TPI. Mr. Feng Xiaozeng said: “After several years of capital contributions and the dedication of management time and resources to TPL and TPI, these two operations are beginning to attain the economies of scale necessary to generate profits. The satisfactory result during the Period enables the Group to have confidence that TPL and TPI will be able to continue the positive operational trends and successfully accomplish their objectives of breakeven or profitability for the full year of 2006. Together with a strong operational performance from CIRE, the Group is confident that the consolidated operations for the full year will return to profitability, assuming no unexpected adverse and material events occur in the remainder of the year.”

The Group also believes that the document recently issued by the State Council of the PRC on promoting a healthy Chinese insurance market will have far-reaching effects on the development of insurance and other supporting businesses in the PRC. Mr. Feng Xiaozeng said: “Having spent the last few years in building up its business infrastructure in the PRC in the areas of life insurance, property and casualty insurance, pension and asset management through TPL, TPI, Tai Ping Pension Company Limited and Taiping Asset Management Company, Limited, respectively, the Group believes that CIH is well positioned to take advantage of the great opportunities and potential in China, one of the world’s fastest growing insurance, asset management, and financial services markets.”

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Company Background:

CIIH is a member of the group of companies under China Insurance (Holdings) Company, Limited, which is a state-owned company in the People's Republic of China ("PRC"). CIIH Group is principally engaged in the business of underwriting all classes of global reinsurance business and direct life insurance business in the PRC. Apart from these, CIIH also carries on asset management and insurance intermediary businesses and, to support its insurance activities, holds money market, fixed income, equity and property investments. CIIH also holds a 40.025% interest in TPI, which is engaged in the underwriting of property and casualty insurance businesses in PRC.

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