

[For immediate release]

CIIH Announces 2005 Annual Results

(7 April, 2006, Hong Kong) China Insurance International Holdings Company Limited (“CIIH” or the “Group”; stock code: 966) today announced its results for the year ended 31 December 2005 (the “Year”).

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 China 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.

The performance highlights of the Group for the Year are as follows:

For the year ended 31 December, 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

The net loss attributable to the Group by each business line is summarised below:

For the year ended 31 December, HK\$ million

	2005	2004	Change
Reinsurance	73.61	198.00	(62.8%)
Life insurance	(159.29)	(167.49)	(4.9%)
Property and casualty insurance ¹	(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

¹ The property and casualty insurance business is operated by TPI which is an associate 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 recognized and reported as "Share of losses less profits of associates" in the consolidated income statements. The equity interest of TPI held by the Group at the balance sheet date is recognized and reported as "Interest in associates" in the consolidated balance sheet.

Annual dividend

The Directors resolved not to recommend any annual dividend for the Year (2004: nil).

Reinsurance Business – China International Reinsurance Company Limited ("CIRE")

CIRE's profit attributable to the Group decreased by 62.8% to HK\$73.61 million from HK\$198.00 million in the Last Year. The decrease was mainly due to several significant catastrophe claims, such as Hurricane Katrina and other storms or floodings, in different parts of the world which incurred during the Year and an extra tax provision for an amount of HK\$35.00 million which provided for the potential tax exposure on offshore investment income in prior years.

CIRE's gross premium written increased by 15.0% to HK\$1,256.40 million from HK\$1,092.46 million in the Last Year. The increase was primarily due to the proactive marketing and underwriting efforts of CIRE as well as the continued growth of the underlying insurance markets within the core markets of CIRE in Asia. Mr. Feng Xiaozeng, the Chairman of CIH, said: "In the core insurance markets where CIRE is active, such as Hong Kong and Macau, Mainland China and most Asian countries and regions, the premium pricing and rates for original insurance policies has been subject to keen competition. CIRE has adopted a highly selective business strategy to concentrate management time and resources on its core clients and core markets."

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 years loss development has enabled CIRE to achieve 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 affecting the reinsurance industries in 2005, the captioned underwriting result, although lower than that of the previous year, is considered acceptable.

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

TPL's loss attributable to the Group before goodwill amortisation decreased by 4.9% to HK\$159.29 million from HK\$167.49 million in the Last Year. 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.

TPL's gross premium written increased by 18.3% to HK\$7,351.09 million from HK\$6,215.23 million in the Last Year. TPL's gross premium written, by line of business, was as follows:

For the year ended 31 December, HK\$ million

	2005	% to Total	2004	% to Total
Individual	864.57	11.8%	531.87	8.6%
Group	1,191.69	16.2%	1,084.69	17.5%
Bancassurance	5,294.83	72.0%	4,598.67	73.9%
	7,351.09	100.0%	6,215.23	100.0%

The increase in gross premium written was primarily due to TPL's continuous efforts at improving its product innovation, productivity and the professionalism of its sales force, and a focus on improving its nationwide distribution network, which is concentrated on the most wealthy and populous areas of the PRC. Mr. Feng Xiaozeng said: "The increase in gross premium written was primarily driven by a strong performance of the Bancassurance channel, which represented approximately 61% of the overall growth. The successful launch of the new Universal Life products targeted at banking clients in late July 2005 provided strong growth momentum for the Bancassurance channel. The gross premium written from the Individual line of business represented 11.8% of total premium for the Year (Last Year: 8.6%). Overall, the Individual line of business increased 62.6% over that of Last Year. The strong growth in the Individual line was the result of TPL's initiatives in 2005 to diversify and strengthen its overall distribution channels."

In October 2005, TPL issued a subordinated fixed rate debt instrument, free of any collateral, for the sum of RMB1.5 billion, which was fully subscribed by the Agricultural Bank of China. The debt instrument has a fixed interest rate of 4.45% per annum, and will expire on 30 November 2013. The proceeds of the debt instrument were applied to strengthen the statutory solvency margin of TPL under the CIRC regulations, thereby allowing TPL to further grow and expand its life insurance operations in Mainland China. The solvency margin ratios of TPL under the CIRC regulations were as follows:

At 31 December, RMB million

	2005	2004
Actual Solvency Margin of TPL	2,051.28	1,341.44
Minimum Statutory Solvency Margin	805.58	464.54
Solvency Margin Ratio	255%	289%

Property and Casualty Insurance Business-The Tai Ping Insurance Company, Limited ("TPI")

The operating loss of TPI increased by 29.5% to HK\$132.40 million from HK\$102.23 million in the Last Year. The operating result was not satisfactory as TPI was unfortunately hit by seven strong typhoons and a snow-storm and five major marine claims in the year 2005. The loss attributable to shareholders increased by 72.5% to HK\$52.99 million from HK\$30.72 million in the Last Year. The reason why the loss attributable to shareholders increased by a greater

percentage than that of the operating loss is because the shareholding of TPI held by the Group increased to 40.025% in the Year from 30.05% in the Last Year.

TPI's gross premium written increased by 51.5% to HK\$1,323.13 million from HK\$873.24 million in the Last Year. The severe and unhealthy competition intensified by new insurance entities entering the property and casualty insurance market in China also presented TPI with great difficulties in pursuing healthy premium growth and its goal for underwriting profitability.

Prospects

2006 will be a critically important operational 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. Mr. Feng Xiaozeng said: "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 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 the 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 prioritized. 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, Mr. Feng Xiaozeng said: "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."

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Company Background:

CIIH is a member of China Insurance (Holdings) Company, Limited (“China Insurance”), one of the most established insurance groups in China under the supervision of the State Council of the PRC. CIIH is the only listed flagship of China Insurance. The Group is principally engaged in reinsurance underwriting through CIRe and life insurance and general insurance in the domestic PRC market through TPL and TPI, respectively. In addition, the Group is also involved in reinsurance broking business and assets management through other operating subsidiaries. To support its reinsurance and primary insurance activities, the Group holds a portfolio of security and money market investments.

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