

[For immediate release]



CIIH Announces 2006 Annual Results

(26 March, 2007, 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 2006 (the “Year”).

The **gross premiums written and policy fees** for the Year increased significantly to HK\$12,373.45 million from HK\$8,611.67 million in the Last Year. The increase was mainly due to the strong premium growth in the life insurance business in which premiums increased by 47.2% to HK\$10,823.20 million from HK\$7,351.09 million in the Last Year.

The **net profit attributable to the equity holders** for the Year was HK\$510.77 million (2005: loss of HK\$433.76 million). The Group’s results improved over that of the Last Year primarily because of improvements in profitability at each of our business segments.

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

For the year ended 31 December, HK\$ million

	2006	2005	Change
Gross premiums written and policy fees	12,373.45	8,611.67	43.7%
Net investment income	1,189.71	722.28	64.7%
Net realised investment gains	559.51	71.21	7.9 Times
Net unrealised investment gains	634.87	21.08	30.1 Times
Net exchange gain/(loss)	22.84	(94.89)	nm
Goodwill impairment	-	(250.00)	nm
Profit/(loss) before taxation	984.60	(631.44)	nm
Profit/(loss) after taxation	658.34	(595.35)	nm
Net profit/(loss) attributable to the equity holders	510.77	(433.76)	nm
Basic earnings/(loss) per share (HK cent)	38.1	(32.5)	nm

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

For the year ended 31 December, HK\$ million

	2006	2005	Change
Reinsurance	395.66	73.61	5.4 Times
Life insurance	156.60	(159.29)	nm
Property and casualty insurance	3.37	(52.99)	nm
Corporate and other businesses	(44.86)	(45.09)	(0.5%)
	510.77	(183.76)	nm
Goodwill impairment	-	(250.00)	nm
Net profit/(loss) attributable to the equity holders	510.77	(433.76)	nm

Annual dividend

The Directors resolved not to recommend any annual dividend for the Year (2005: nil).

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

CIRe contributed net profit to the equity holders of HK\$395.66 million (2005: HK\$73.61 million). This net profit attributable to the equity holders for the Year represents CIRe’s best annual results ever. Mr. Feng Xiaozeng, the Chairman of CIIH, said: “The positive performance during the Year was mainly due to higher equity investment income, positive exchange rate movements, and higher interest rates on cash deposits.” The underwriting profit also increased to HK\$61.51 million from HK\$8.74 million in the Last Year. The higher underwriting profit was due to strong premium growth and the absence of major catastrophe claims during the Year.

CIRe’s gross premiums written increased by 22.7% to HK\$1,541.57 million from HK\$1,256.40 million in the Last Year. The increase was primarily due to the continued growth of the underlying insurance markets within Asia.

Due to the absence of major catastrophes, as well as the normal development of prior years’ claims settlements against loss reserve provisions, CIRe produced reasonable underwriting profit during the Year, registering a combined ratio of 95.0% (2005: 99.2%).

The total investment income and the investment yield of CIRE on a pre-tax basis recognised in the income statement are summarised as follows:

For the year ended 31 December, HK\$ million

	2006	2005	Change
Net investment income	160.61	131.25	22.4%
Net realised investment gains	133.57	47.76	179.7%
Net unrealised investment gains	9.25	12.67	(27.0%)
Total investment income	303.43	191.68	58.3%
Total investment yield	9.1%	5.9%	3.2pts

The above investment income and investment yield do not include a net exchange gain of HK\$66.97 million (2005: loss of HK\$65.93 million).

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

The life insurance business contributed net profit to the equity holders of HK\$156.60 million (2005: loss of HK\$159.29 million). Mr. Feng Xiaozeng said: “The life insurance business’s profit during the Year is in line with our business plan and represents the achievement of a major long term and strategic goal of the Group for 2006, which was the attainment of breakeven in operating results in TPL’s fifth full year of operation. This ambitious goal (usually, start-up insurance operations require six to eight years before breaking even) has been the target of the Group and TPL since the beginning of the life insurance operations five years ago.” TPL’s strong performance for the Year 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 47.2% to HK\$10,823.20 million from HK\$7,351.09 million in the Last Year. TPL’s gross premiums written, by line of business, was as follows:

For the year ended 31 December, HK\$ million

	2006	% of Total	2005	% of Total
Individual	1,511.53	14.0%	864.57	11.8%
Group	1,409.02	13.0%	1,191.69	16.2%
Bancassurance	7,902.65	73.0%	5,294.83	72.0%
	10,823.20	100.0%	7,351.09	100.0%

The total investment income and the investment yield of TPL on a pre-tax basis recognised in the income statement are summarised as follows:

For the year ended 31 December, HK\$ million

	2006	2005	Change
Net investment income	987.90	556.23	77.6%
Net realised investment gains/(losses)	371.17	(4.91)	nm
Net unrealised investment gains	611.69	6.38	95.9 Times
Total investment income	1,970.76	557.70	253.4%
Total investment yield	8.7%	4.3%	4.4pts

TPL's strong increase in investment income in 2006 was primarily due to the strong performance of the equities market in the PRC, as well as the enlarged investment asset base from the rapid growth in premiums written. The above investment income and investment yield do not include a net exchange loss of HK\$42.04 million (2005: HK\$30.15 million).

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

TPI contributed net profit to the equity holders of HK\$3.37 million (2005: loss of 52.99 million). As such, TPI has achieved its long-standing, strategic objective of attaining breakeven in operating result for the full year of 2006, which is TPI's fifth full year of operations. TPI's gross premiums written increased by 51.2% to HK\$2,000.42 million from HK\$1,323.13 million in the Last Year.

Prospects

2007 will be a critically important year for CIIH. After accomplishing its ambitious strategic objective of breaking even in its fifth full year of operations and delivering a very positive result in 2006, TPL is set to begin its next phase of development for the coming years. Mr. Feng Xiaozeng said: “TPL plans to further develop its individual life business by recruiting more agents. TPL will also continue to enhance its bancassurance operations by exploring closer working models with its bancassurance partners. In the year ahead, TPL will add seven new branches in major provincial cities as well as further expand its sub-branches network to include areas with strong insurance potential.” Because of the need for further investment in expanding the branch network and individual agency force, as well as several other important operational measures, the profitability of TPL in 2007 may not reach the levels achieved in 2006. However, the planned expansion and further bolstering of TPL's services platform will produce a very strong and solid foundation for the future. It is anticipated that these initiatives will substantially enhance CIIH's shareholders' value and profitability over the long term.

For the reinsurance operations at CIRE, entering into the January 2007 renewal season, the global reinsurance markets have been stable. Mr. Feng Xiaozeng said: “CIRE is continuing to expand into the Mainland China insurance markets through two representative offices in Beijing and Shanghai.” CIRE believes that its growth prospects in Mainland China are very attractive, especially since CIRE possesses certain competitive advantages in this market relative to its peers. CIRE expects to produce solid results in 2007 in the absence of any unexpected market events.

The senior management of TPI will continue to focus on profitably building up TPI’s presence in Mainland China’s property and casualty insurance industry. With the market conditions and competition in the PRC property and casualty insurance industry gradually improving, TPI is expected to move into a new phase of development in which it consistently produces reasonable returns to the Group.

Regarding the Group’s overall investment portfolio returns, while it may be unlikely that the significantly-above-average investment returns in 2006 will be sustainable annually into the future, CIH’s focus on developing strong investment operations with proper asset liability matching will allow the Group and its various operations to produce sustainable, attractive and stable investment returns on a yearly basis. This will continue to be a priority of CIH in the years to come.

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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 is principally engaged in the business of underwriting all classes of global reinsurance business and direct life insurance business in the PRC. 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 direct property and casualty insurance business in the PRC.

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