

[For immediate release]



CIIH Announces 2008 Interim Results

(29 August, 2008, Hong Kong) China Insurance International Holdings Company Limited (“CIIH” or the “Group”; stock code: 966) today announced its results for the six months ended 30 June 2008 (the “Period”).

The **gross premiums written and policy fees** for the Period increased to HK\$13,299.68 million from HK\$8,317.65 million in the Last Period. The increase was mainly due to strong premium growth at each of our business segments, in particular the life insurance business in which premiums increased by 68.8% to HK\$11,802.81 million from HK\$6,993.53 million in the Last Period.

The **net profit attributable to the equity holders** for the Period was HK\$381.34 million (2007: HK\$488.58 million). The Group’s results declined compared to that of the Last Period primarily due to lower investment returns in both our Hong Kong and PRC investment portfolios.

The performance highlights of the Group for the Period were as follows:

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

	2008	2007	Change
Gross premiums written and policy fees	13,299.68	8,317.65	59.9%
Total investment income			
excluding unit-linked products income	1,966.80	2,413.93	(18.5%)
Net exchange loss	(43.66)	(4.37)	10.0 times
Profit before taxation	635.90	782.94	(18.8%)
Profit after taxation	775.25	634.92	22.1%
Net profit attributable to the equity holders	381.34	488.58	(22.0%)
Basic earnings per share (HK cent)	27.0	34.7	(7.7 cents)

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

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

	2008	2007	Change
Reinsurance	83.79	311.47	(73.1%)
Life insurance	491.01	153.53	3.2 times
Property and casualty insurance	(41.85)	2.40	-
Corporate and other businesses	(151.61)	21.18	-
Net profit attributable to the equity holders	381.34	488.58	(22.0%)

The total investment income of Group on a pre-tax basis recognised in the consolidated income statement were as follows:

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

	2008	2007	Change
Net investment income	2,050.73	975.06	2.1 times
Net realised investment gains	926.04	1,176.40	(21.3%)
Net unrealised investment (losses)/gains	(2,657.78)	316.66	-
Impairment on AFS equities	(108.10)	-	-
Total investment income	210.89	2,468.12	(91.5%)
Less: Investment (losses)/gains attributable to unit-linked products	(1,755.91)	54.19	-
Total investment income excluding unit-linked products income	1,966.80	2,413.93	(18.5%)

Interim dividend

The Directors resolved not to recommend any interim dividend for the Period (2007: nil).

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

Mr. Feng Xiaozeng, the Chairman of CIH, said: “CIRe contributed net profit to the equity holders of HK\$83.79 million (2007: HK\$311.47 million), representing a decrease of 73.1% compared to that of the Last Period. The decrease of net profit was mainly due to equity investment losses in CIRe’s investment portfolio in Hong Kong.” CIRe’s underwriting profit registered a slight increase over that of the Last Period.

CIRe’s gross premiums written during the Period increased by 13.1% to HK\$1,493.70 million compared to HK\$1,320.73 million in the Last Period. However, taking into account the relative weakness of the US dollar (and therefore the Hong Kong dollar) to the other major currencies during the Period, there was only marginal growth in premiums. Chairman Feng said: “Despite the continued softening of global reinsurance market pricing terms and conditions, as well as the abundance of available reinsurance capacity, CIRe managed to maintain its premium income levels, while succeeding in selectively growing its business among certain core clients in Mainland China.”

CIRE's net claims incurred decreased by 9.6% to HK\$360.54 million from HK\$398.75 million in the Last Period. During the Period, CIRE faced increased claims activity in several of its business lines, and also experienced higher incidences of natural catastrophes, in particular the rare snowstorm in Southern China in early 2008, and the tragic and serious earthquake in Sichuan Province, China on 12 May 2008. However, because of its prudent policy of taking out appropriate retrocession protections to properly risk-manage its own retention, CIRE was able to withstand the impact of such catastrophes. CIRE's underwriting result was therefore not adversely affected by these unusual loss events.

The total investment income and investment yield of CIRE's investments on a pre-tax basis recognised in the consolidated income statement were as follows:

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

	2008	2007	Change
Net investment income	91.52	91.24	0.3%
Net realised investment (losses)/gains	(37.50)	174.49	-
Net unrealised investment (losses)/gains	(21.15)	5.36	-
Impairment on AFS equities	(13.00)	-	-
Total investment income	<u>19.87</u>	<u>271.09</u>	(92.7%)
Total investment yield (year-to-date)	<u>0.4%</u>	6.9%	(6.5 pts)

CIRE's lower investment income and investment yield for the Period was due to equity investment losses in its investment portfolio, primarily from equities traded in Hong Kong. During the Period, almost all major equity markets in the world experienced losses and poor performance, as the prior years' strength in equities and strong appreciations in share prices have not lasted into 2008.

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

The life insurance business contributed net profit to the equity holders of HK\$491.01 million (2007: HK\$153.53 million).

TPL's gross premiums written increased by 68.8% to HK\$11,802.81 million from HK\$6,993.53 million in the Last Period. TPL's gross premiums written, by line of business, were as follows:

For the six months ended 30 June 2008, HK\$ million

	Non unit-linked products	Unit-linked products	Total	% of Total
Individual	2,130.44	285.59	2,416.03	20.5%
Group	603.76	-	603.76	5.1%
Bancassurance	<u>7,126.92</u>	<u>1,656.10</u>	<u>8,783.02</u>	<u>74.4%</u>
	<u>9,861.12</u>	<u>1,941.69</u>	<u>11,802.81</u>	<u>100.0%</u>

For the six months ended 30 June 2007, HK\$ million

	Non unit-linked products	Unit-linked products	Total	% of Total
Individual	1,116.73	805.52	1,922.25	27.5%
Group	732.78	1.68	734.46	10.5%
Bancassurance	4,146.26	190.56	4,336.82	62.0%
	<u>5,995.77</u>	<u>997.76</u>	<u>6,993.53</u>	<u>100.0%</u>

Chairman Feng said: “During the Period, TPL produced strong premium growth across its various business and product lines in comparison to the Last Period. During the Period, TPL’s premiums from non unit-linked products increased by 64.5% to HK\$9,861.12 million from HK\$5,995.77 million in the Last Period. TPL’s non unit-linked product sales benefited substantially from its larger individual agency force, which reached 44,284 agents as of 30 June 2008 (30 June 2007: 30,051). Premiums distributed through individual agents increased substantially by 90.8% to HK\$2,130.44 million from HK\$1,116.73 million in the Last Period. Bancassurance sales also surged during the Period, as TPL continued to make inroads in this important and attractive line of business. Premiums distributed through the bank channel grew sharply by 71.9% to HK\$7,126.92 million from HK\$4,146.26 million in the Last Period.

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

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

	2008	2007	Change
Net investment income	1,889.08	836.95	2.3 times
Net realised investment gains	1,006.74	942.20	6.9%
Net unrealised investment (losses)/gains	(2,559.56)	282.22	-
Impairment on AFS equities	(92.10)	-	-
Total investment income	244.16	2,061.37	(88.2%)
Less: Investment (losses)/gains attributable to unit-linked products	(1,755.91)	54.19	-
Total investment income excluding unit-linked products income	2,000.07	2,007.18	(0.4%)
Total investment yield (year-to-date) excluding unit-linked products income	4.5%	6.7%	(2.2 pts)

The investment income (excluding unit-linked products income) marginally decreased as compared with that of the Last Period. During the Period, TPL recorded higher interest income on its cash and fixed income investments, as well as on the cash flows generated by its rapid growth of premiums written. In addition, during the Period, TPL sold a significant portion of its investments in equities, most of which were acquired in previous years and accounted for under AFS, and which had accumulated significant unrealized gains. The gains released from the sale of such securities in the AFS equities portfolio partially offset the losses which resulted from the poor performance of the A-share markets during the Period. Chairman Feng said: “Overall, the investment yield of 4.5% for the Period is satisfactory given prevailing, adverse investment market conditions in the

PRC and globally.” The above-mentioned investment income and investment yield figures do not include a net exchange loss of HK\$78.82 million (2007: HK\$34.35 million).

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

TPI incurred a net loss to the equity holders of HK\$41.85 million during the Period (2007: profit of HK\$2.40 million). The loss was mainly due to the rapid expansion of its premium income and network during the Period. Because of TPI’s relatively small operation, its current lack of sufficient economies of scale has resulted in higher unit costs and expenses. During the Period, TPI’s results were also negatively affected by the losses from the snowstorm in Southern China and earthquake in Sichuan Province, as well as equity investment losses in its investment portfolio from the A-share markets in the PRC.

Prospects

CIRE will continue its strategy of selective growth in its key markets. Chairman Feng said: “In Mainland China, CIRE has made the strategic decision to enter the market by applying to open a branch in Beijing, which hopefully will begin operations in late 2008.” In Mainland China, CIRE continues to be optimistic about the long-term potential demand for reinsurance. Recently, CIRE received an upgrade of its A- rating to a Positive outlook by Fitch Ratings, while its A- insurer financial strength rating with S&P and A.M. Best were reaffirmed with a Stable outlook. Such ratings reconfirm the strong commitment and excellent security offered by CIRE to its clients, which reinforces CIRE’s confidence in its operating outlook, despite the challenging financial and economic environment.

With the PRC economy and life insurance industry likely to continue growing well in the remaining part of 2008, TPL is highly confident of achieving its operational benchmarks for 2008. In the second half of the year, TPL will continue to focus on building a solid foundation for sustainable and profitable growth into the future. TPL has opened new branch offices in Xinjiang, Guizhou and Gansu during the Period, with another new branch in Inner Mongolia opened after June 2008. Following the opening of these four branches, TPL has presence in every province and major city in Mainland China, except for Tibet, Qinghai, Ningxia and Hainan Island. Such a widespread, nationwide network provides TPL with vast opportunities for premium growth, and gives TPL the breadth and depth necessary to achieve scale economies. Thus far in the Period, TPL has opened up 111 new sub-branches and marketing centres throughout Mainland China, bringing its total number of sub-branches and marketing centres to 428. Chairman Feng said: “TPL plans to open more than 100 new sub-branches and marketing centres in the second half of the year. For its investment portfolio, TPL will continue to adopt a prudent and conservative policy whereby most of its assets are allocated to fixed income securities or bank deposits.” During the Period, TPL sold a significant portion of its equity portfolio and maintained a reduced allocation to equities in response to the sharp downturn and continued uncertainty of the A-share markets of the PRC. For the remainder of 2008, TPL will continue to adopt a very conservative posture with its equity allocation. Greater focus will be given to risk management and procedures, in order to ensure the proper

safeguarding of the overall investment portfolio.

TPI's planned expansion in 2008 will continue during the second half of the Year. Chairman Feng said: "Although TPI will likely again produce operational losses in 2008, the planned expansion and premium growth will allow TPI to eventually achieve the economies of scale necessary for sustainable profitability into the future. TPI hopes to be able to achieve this objective and the scale necessary to consistently achieve combined ratios of below 100 sometime within the next 3 to 5 years." In the near term, however, the fundamentals and competitive conditions of the PRC property and casualty insurance industry continue to be difficult. Nevertheless, the CIRC's recent, strong emphasis on insurers' solvency margin supervision, if applied effectively, may inevitably lead to a much healthier market environment, which would be beneficial to TPI and the entire industry. TPI expects a net operating loss again in 2008, which is expected, but not optimal.

Chairman Feng concluded by saying: "Although the first half of 2008 has been challenging and difficult in many ways, CIIH has continued to produce satisfactory results, which demonstrates the quality and ability of CIIH to operate in a volatile market environment. We are very confident about delivering a solid result for the full year of 2008."

- End -

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, insurance intermediary businesses and pension business and, to support its insurance activities, holds money market, fixed income, equity and property investments. CIIH also holds a 40.025% interest in TPI as at 30 June 2008, which is engaged in the underwriting of direct property and casualty insurance business in the PRC.

For more information, please contact:

China Insurance International Holdings Company Limited

Ms. Cynthia Choi

Tel: 2864 1988

Fax: 2866 2262

Email: investor_relations@ciih.com