

# CHAIRMAN'S STATEMENT



**Mr. Yang Chao** *Chairman*

2000 is a very important year for China Insurance International Holdings Company Limited (the "Company" or "CIH") and its subsidiaries (collectively the "Group"). The Company was incorporated in Hong Kong with limited liability on 18 February 2000 and through a reorganisation scheme became the holding company of the Group on 26 May 2000. The Group has been treated as a continuing entity and accordingly the combined accounts have been prepared on the basis that the Company was the holding company of the Group for both years presented rather than from 26 May 2000.

It gives me great pleasure to announce the first annual result of the Group since our Company's listing on the Mainboard of The Stock Exchange of Hong Kong Limited ("The Stock Exchange") (Stock

Code: 966) on 29 June 2000. Our first year as a listed company was productive and fruitful. I am very pleased with the performance of the Group and of our dedicated staff.

## FINANCIAL RESULTS

For the year ended 31 December 2000, the Group's turnover increased by 7.3% to HK\$691.0 million compared to 1999 (1999: HK\$644.3 million). The turnover composed of HK\$683.4 million (1999: HK\$640.1 million) in reinsurance premium and HK\$7.6 million (1999: HK\$4.2 million) in brokerage income.

Net profit attributable to shareholders was HK\$117.7 million, an increase of 15.5% when compared with that of the previous year. Meanwhile, earnings per share were HK15 cents, the same level as the previous year.

The Group has maintained a strong financial position throughout the year, with cash and deposits at bank amounting to approximately HK\$457.5 million as at 31 December 2000, which enables the Group flexibility to invest at the right time when investment opportunity arises.

# CHAIRMAN'S STATEMENT

## DIVIDENDS

The directors have recommended the payment of a final dividend of HK4 cents per share for the year ended 31 December 2000.

## USE OF NET PROCEEDS FROM ISSUE OF SHARES

The net proceeds from the share offering after deducting expenses amounted to approximately HK\$294.9 million. It has been used for the following purposes:

- a. HK\$184.0 million has been used to increase the paid-up capital of China International Reinsurance Company Limited ("CIRe") and SINO-RE Reinsurance Brokers Limited ("SINO-RE") respectively. (HK\$180.0 million in CIRe and HK\$4.0 million in SINO-RE).
- b. The rest of the proceeds have been kept to increase the working funds of the Company and to acquire high quality bonds to produce steady interest income.

## 2001 PROSPECT

After a period of weak market conditions due to excessive supply of reinsurance capacity, the reinsurance market eventually turned around at 1 January 2001 with rate increases and restrictions in coverage being broadly applied in treaty renewals. Reinsurance business will also benefit from the increasing rates in the Non-life direct insurance market. Assuming that there is no unusual claims, the underwriting result and underwriting cash flow are expected to improve. In line with reinsurance underwriting, the revenue from the reinsurance brokerage is also anticipated to grow satisfactorily. The Company is optimistic with the prospect of its core reinsurance businesses.

Looking north of the border, with the services of the newly formed CIIH's Shanghai Representative Office and more marketing activities devoted to the China market, the Company has good reasons to anticipate a healthy growth of its core business from the emerging China market.

The United States of America is facing a possible economic slow-down that has caused adverse effects on the recent performance of the major stock markets. 2001 will be a year of great challenge for the Company to achieve results better than market performance in investment. In 2001, the Company will continue its prudent investment philosophy as in the past with strong emphasis on quality bond and cash holdings, to be supplemented by a suitable portion of equity investments. As a large portion of the investment portfolio is vested in bonds that are intended for long-term holding till maturity, the Company enjoys steady investment income despite the recent unsteady global economic outlook. The improvement in cash flow position from underwriting will also partly offset the reduction in interest income due to the falling interest rates. As far as investment income is concerned, the Group expects another healthy year.

# CHAIRMAN'S STATEMENT

## 2001 PROSPECT *(Continued)*

Expansion in the Chinese domestic insurance market is the Company's major strategic goal. Based on the progresses made in 2000, it is expected that the Company will make significant steps towards its Chinese expansion plan this year. The Shanghai Representative Office will facilitate the Company in widening its business contacts in Mainland China.

The Company has an ambitious China expansion plan that is in line with its parent company, China Insurance H.K. (Holdings) Company Limited ("CIHK" or the "China Insurance Group"). As committed by the parent company at the time of the Initial Public Offering, the China Insurance Group will fully support the Company in its business expansion especially in the Chinese domestic insurance market. It is encouraging that The Tai Ping Life Insurance Company Limited and The Tai Ping Insurance Company Limited, subsidiaries of the China Insurance Group, have been approved to resume insurance underwriting in the mainland China in the fields of life and general insurance respectively. The Company will be actively involved in the parent company's domestic insurance expansion plans and will benefit therefrom. Furthermore, the parent company has rationalised the asset management of its subsidiaries, which will enable future injection of quality assets into the Company.

The Company, like its parent company, the China Insurance Group, has accumulated valuable experience, management skills and a team of quality staff through its experience in the overseas markets. Besides insights and prowess in the international insurance and capital markets, it also understands well the Chinese domestic insurance market. The huge potential of the Chinese domestic insurance market attracts attention from many international insurers and investors and will continue to be an investment focus after China becomes a member of the World Trade Organization. Along with the expansion of the China Insurance Group, the Company will maximise its unique advantageous position in the China insurance market in the near future. It is anticipated that our Chinese domestic business will include life insurance, general insurance, asset management and insurance brokerage. The weighting from these business streams will gradually increase and eventually they will become the core business of the Company. With strong support from the China Insurance Group, the Company will endeavour to develop towards this goal, bearing a clear objective of profit consciousness, which is the common desire and expectation of the shareholders.

# CHAIRMAN'S STATEMENT

## APPRECIATION

On behalf of the board of directors, I would like to express my gratitude to our clients, management team and staff for their valuable support. Last but not least, I would like to bid welcome to our new shareholders and thank them for their support. We will continue to plan well and work hard to build value for your investment.

**Yang Chao**

*Chairman*

Hong Kong, 9 April 2001



Opening ceremony of Shanghai Representative Office of CIH on 28 February 2001.