



*Our Chairman Mr. Yang Chao and the Executive Director of Fortis Mr. Jozef De Mey at the signing ceremony.*

Dear Shareholders,

We can look back on 2001 as a very significant year for China Insurance International Holdings Company Limited (the "Company" or "CIIH") and its subsidiaries (collectively the "Group"). We made important progress on our strategic agenda by focusing on expansion into direct insurance business in China. We also managed to achieve satisfactory results in our existing core reinsurance business, which remained the main source of our Company's revenue in 2001. The Company's turnover increased by 20.2% to HK\$830.39 million. Profit attributable to shareholders, including profit from ordinary operations and extraordinary gains, was HK\$230.23 million, representing an increase of 95.6%.

Expansion in the Chinese domestic insurance market has been our top strategic goal. In 2001, we passed several key milestones. The highlights included the following:

- **We opened a representative office in Shanghai in February 2001. The office has effectively carried out its mission to enhance services to clients of China International Reinsurance Company Limited ("CIRe") and SINO-RE Reinsurance Brokers Limited ("SINO-RE") and widen our business contacts in China.**
- **We acquired a 25% equity interest in Huatai Insurance Agency & Consultant Service Limited ("Huatai"). Huatai obtained an insurance broker license and commenced its insurance broking business in September 2001.**

## CHAIRMAN'S STATEMENT

- We acquired a 62.5% interest in The Tai Ping Life Insurance Company, Limited ("TPL"), a life insurance company with a national life insurance license in China, from our ultimate holding company, China Insurance Company, Limited ("CICL"). Subsequently, together with CICL we sold a total 24.9% (12.45% from CIH) interest in TPL to Fortis International N.V. ("Fortis"). We believe that Fortis' strengths and the high caliber management team that TPL has already established, provide an ideal combination to pursue successfully the substantial market opportunity and growth potential in China. In particular, Fortis' bancassurance experience will complement the traditional distribution strategies and will help to elevate TPL's platform in China.
- We acquired a 42.5% interest in The Tai Ping Insurance Company, Limited ("TPI"), a general insurance company with a national general insurance license in China, from CICL. Most recently, together with CICL, we have sold a 24.9% (12.45% from CIH) interest in TPI to Industrial and Commercial Bank of China (Asia) Limited ("ICBC (Asia)"), which became a strategic investor in CIH with a 9.9% interest in November 2001. ICBC (Asia) is a 75% owned subsidiary of Industrial and Commercial Bank of China ("ICBC"), the largest state-owned commercial bank in China. ICBC, headquartered in Beijing, has established over 30,000 branches and offices in the PRC. TPI will benefit from the well-established business networks and resources of ICBC in the PRC.

These achievements provide us with a platform from which to pursue our greatest growth opportunity; becoming a leading player in the PRC's direct insurance market.

In the year ahead, we will focus on the execution of our China businesses plans. Achieving a critical mass quickly is an important goal of TPL. TPL has already launched businesses in Shanghai, Beijing, Guangzhou and Chengdu. We plan to open several more branches in the second part of 2002. We believe a critical mass is achievable

because life insurance in China is still in its infancy and has tremendous room for growth.



*The signing ceremony of sale of equity in Tai Ping Life to Fortis by CIH and its ultimate holding company CICL.*

The prospects for growth in the general insurance market remain very strong, driven by increasing private ownership of vehicles and properties, further restructuring of state owned enterprises and the rapid growth of private enterprises. TPI will work closely with ICBC to develop the right products to meet evolving demand.

With the solid foundation laid down in 2001, we are confident that the reinsurance underwriting of CIRe and reinsurance broking business of SINO-RE will continue to perform well in 2002. Both demand and pricing in the insurance market are moving upward, and we expect to be able to exploit these trends to develop new business and improve renewal terms. We will also actively look for the opportunity of extending our reinsurance operation into China. We are currently conducting a feasibility study on opening a CIRe Shanghai Office and hiring a local professional team.

With the China insurance market opening further to major foreign insurers following the World Trade Organization accession, competition is going to intensify, and we do not believe in under-estimating the competition. However, we believe TPL and TPI have an edge in professional management, an entrepreneurial culture and distinct product, and marketing expertise.

We will take all necessary measures, including high level of transparency in decision making, and appropriate incentive schemes and on-going training, to maintain the stability and quality of our management team, and therefore to ensure the consistency and competitiveness of our service. Our strategic partners, Fortis and ICBC, will provide valuable support to us in the areas of management, risk control and distribution, helping both TPL and TPI to achieve better profitability with lower risk, higher persistence, faster market share and revenue growth.



*Executive Director of CICL Mr. Miao Jianmin, Deputy Chief Executive Officer of CIIH Dr. Dong Ming and the Chief Executive Officer of ICBC (Asia) Mr. Zhu Qi at the signing ceremony of acquisition of equity interest in Tai Ping Insurance by ICBC (Asia).*

The responsibility of leading CIIH is significant. I am very optimistic and excited about our future, since I believe we have the right strategy, the right partners, and a high quality, committed team. I am grateful for the trust that you as shareholders have placed in us as managers of your Company. On behalf of the Board, I would like to thank you for your support, and to thank all our employees for their valuable contribution to the success of CIIH.

### **Yang Chao**

*Chairman*

Hong Kong, 26 March 2002