

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am happy and honored to report that 2002 was a very positive year for CIIH and its subsidiaries. Our core reinsurance business continued to benefit from favorable pricing and capacity trends in the global reinsurance industry, recording increased revenues and profits attributable to shareholders over the previous year of 42.3% and 131.0% respectively. Our primary insurance operations in the PRC got off to a wonderful start in their first year of operation. Our subsidiary in the life insurance business, TPL, recorded premium income of HK\$ equivalent of HK\$1,556.49 million, while our associate company in general insurance, TPI, recorded premium income of HK\$ equivalent of HK\$235.69 million. Both companies have achieved remarkable accomplishments in such a short period of business operations. Our subsidiaries' strong operating performances have produced satisfactory consolidated results for CIIH. In 2002, the Company's turnover increased by 232.8% to HK\$2,763.65 million. Profit attributable to shareholders was HK\$115.42 million, representing a decrease of 49.9% from the previous year. The fall in net income was due to expected start up losses at the PRC insurance businesses.

In addition, the Group further strengthened and complemented its business lines by acquiring an asset management business. In July 2002, we acquired all the issued capital of CIGAML from our parent company CIHK. CIGAML currently has HK\$3,526.72 million in assets under management for China Insurance group-affiliated companies. This strategic transaction was another milestone of the Group as the acquisition of CIGAML will complement and further enhance our insurance operations in Hong Kong and the PRC.

The highlights in 2002 also included the following:

- CIRE recorded higher premium rates and tighter terms in almost all lines of its business. Premium income for 2002 increased by 42.3% over 2001, reaching HK\$1,164.52 million. CIRE achieved a ratings upgrade by Standard & Poor's from "BBB+(Positive Outlook)" to "A-(Stable Outlook)", while maintaining its existing "A- (Excellent)" rating plus positive outlook from A.M. Best. Such favorable ratings developments will further bolster our reinsurance business in the coming years.
- We successfully began our primary insurance operations in the PRC. TPL has opened four business units in the PRC, namely in Shanghai, Guangzhou, Beijing and Chengdu. Its head office in Shanghai is already the fifth largest life insurance company in Shanghai. TPI also has opened four general insurance operations in the PRC, namely in Shenzhen, Beijing, Guangzhou and Shanghai. TPI is ranked the fifth largest general insurance company in Shenzhen. In line with our expectations and with the experience of all start-up insurers, both TPL and TPI recorded operating losses in 2002. We are highly confident, however, that both companies will contribute substantially to our profits over the long term.

Our advances in 2002 have further solidified our foundation and have helped to create a platform for the provision of universal financial services in the PRC. We want to become the leading player in insurance and asset management in the region, and in the years ahead, we will continue to move forward to achieve our goals.



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We expect 2003 to be another positive year for our core reinsurance operations. With global reinsurance markets continuing to experience upward movements in pricing and demand, we expect CIRE to have further growth in its reinsurance business operations. Both CIRE and SINO-RE will maintain their present geographical focus on the PRC and Asia, and will seek expansion opportunities, particularly in the PRC, if it is profitable to do so.

In general, while CIRE's renewal premiums maintained an upward trend throughout 2002 and has carried into 2003, in some business sectors price increases have slowed down. In Hong Kong and other Asian markets where proportional reinsurance is still the main vehicle for reinsurance, terms and conditions have tightened, which should produce more acceptable profit margin potential in the coming year.

Because the accounting policies of most reinsurance companies around the world report their underwriting performance on an annual accrual basis, CIRE has decided to change its accounting policy from a three-year fund accounting basis to an annual accrual basis in respect of its general reinsurance business. This accounting change will allow CIRE to conform with the practice of the industry and international standards. The new policy of annual accruals will commence in the forthcoming financial year ending 31 December 2003.

As the economy and insurance markets in the PRC are expected to continue growing rapidly in the year ahead, we will fully dedicate our resources to build up our operations in the country, which represents the most attractive insurance market in the world. Both TPL and TPI are working hard to open more new branches in the PRC to take advantage of such favourable business conditions. We shall keep the shareholders informed of the latest progress in due course.

We believe that our strategic partnerships with ICBC and Fortis have been of utmost value to the performance of our insurance operations in the PRC. We look forward to working closely with our valued partners.

In addition to providing expertise for the investment management of insurance premiums, we believe that CIGAML can potentially pursue institutional and mutual funds advisory businesses in Hong Kong and the PRC in the future. We will continue to focus on building our asset management capabilities at CIGAML, and at the opportune time, will carry out asset management operations in the PRC. As a group, we look forward to providing comprehensive financial services to our PRC clients.

2003 will likely be another difficult year for the world's equity markets. With economic recovery proceeding slowly around the world and with political and social conflicts threatening to disrupt global economic links, we do not expect significant improvements in our investment performance for the coming year and will continue to adopt a conservative approach for investments. The Group will continue to have most of its fixed income portfolio in investment-grade securities. Equity investments will likely be kept at a small proportion of the overall portfolio.

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It is my honor to lead CIH, and my responsibilities and duties to our shareholders are paramount to all else. I truly believe that the platform we have now established leaves us well-positioned for future growth in insurance and asset management in Greater China. I am personally highly excited and happy about our Company's prospects and future. Thank you for your trust and confidence in our management team. I assure you that our top management will continue to emphasize transparency and shareholder value in their daily management decisions.

On behalf of the Board of Directors, thank you for your support! I would also like to thank all of our staff for their hard work and dedication to CIH.

Yang Chao

Chairman

Hong Kong, 25 March 2003