

CHAIRMAN'S STATEMENT



Yang Chao
Chairman

Dear Shareholders,

The past year of 2003 was one of difficulty and recovery for China Insurance International Holdings Company Limited and the people of China. SARS presented a tremendous and tragic challenge to Asia and the Greater China region, with many of the economies slowed to a halt as a result of this unexpected contagion. Thankfully, the SARS challenge was overcome, and the peoples and economies of Asia proved resilient. China also surmounted the difficulties of SARS, and sharply rebounded in a healthy recovery. I am happy and honored to report that CIH and its subsidiaries produced strong results during the difficult and volatile environment of last year.

Our core reinsurance business at CIRe had a strong year in 2003. Reinsurance turnover and profit attributable to shareholders reached HK\$1,179.62 million and HK\$234.03 million, respectively, representing increases of 0.8% and 17.2%, respectively, over last year. "Hard" pricing levels for reinsurance products and a strong resurgence in global investment markets provided strong underpinnings for our reinsurance operations. Our subsidiary in the PRC life insurance industry, TPL, in only its second full-year of operations, recorded premiums of HK\$ equivalent of HK\$3,079.50 million, while our associated company in the PRC general insurance industry, TPI, recorded premiums of HK\$ equivalent of HK\$495.49 million, representing increases of 97.9% and 111.0%, respectively, over last year. Such strong growth rates in our PRC operations is remarkable given that the entire insurance sector in China was at a standstill during the second quarter due to SARS.

As expected, our businesses in Mainland China produced net operating losses in 2003, as both TPL and TPI are still in their initial years of operation. Because of the strong profitability of CIRe, however, CIH's consolidated results were positive. Due to further expansion and a greater breadth of operations in Mainland China at TPL and TPI, the net operating losses from both TPL and TPI were higher than that of last year's. CIH's consolidated net income thereby decreased from that of 2002. In 2003, the Group's turnover increased by 56.3% to HK\$4,329.96 million, and profit from operations increased 19.8% to HK\$162.49 million (2002 restated: HK\$135.69 million) while profit attributable to shareholders decreased by 22.0% to HK\$140.75 million. These consolidated results were in-line with expectations.

Other highlights of 2003 included the following:

- In November, CIH (BVI), a wholly owned subsidiary of CIH, launched a 10-year, US\$175.00 million international senior bond offering. Over three times oversubscribed, the bonds pay a fixed-interest coupon annually of 5.8% which was determined at a spread of U.S. Treasuries plus 1.57%. The highly successful offering was the first international debt offering by the Group, the first international debt offering by a PRC-related insurance group, and the first international debt offering by an insurance group in Asia since the Asian financial crisis.



CHAIRMAN'S STATEMENT

- CIIH's decision to access the international, fixed income capital markets was based on the current record-low yield environment. With interest rates coming down to 50-year lows in 2003, the Company decided to lock-in the opportunity for inexpensive financing before yields begin trending upwards. CIIH intends to use the bond proceeds gradually over the next few years to fund and support TPL and TPI in Mainland China. As part of the debt raising exercise, CIIH was rated BBB- by both Standard & Poor's and Fitch. CIRe was rated A- by Fitch, and maintained its A- ratings at both Standard & Poor's and A.M. Best. TPL was rated BBB+ by Fitch. Such strong ratings will further advance our combined businesses in the years to come.
- Over the past several years of upswing in the reinsurance cycle, CIRe has taken advantage of the positive environment in the global reinsurance industry to re-evaluate and re-underwrite its reinsurance contracts with a more intense focus on underwriting profitability and risk-control of catastrophe exposures. As such, the top-line, revenue growth of CIRe this year and in the past several years has been carefully managed, as senior management has prioritized "profitable growth". CIRe believes that such dedication to core profitability and risk management has not only benefited bottom-line results in 2003, but will lay the foundation for future profits as well.
- TPL continued its expansion into the PRC life insurance markets by opening 10 new branches in 2003. The location of the branches were carefully chosen to best position TPL in the most wealthy and populous provinces in China, and are as follows: Shijiazhuang, Zhengzhou, Nanjing, Jinan, Qingdao, Hangzhou, Ningbo, Shenyang, Dalian and Shenzhen. With these new branches, TPL now has 14 branches throughout the PRC. TPL has also been selected by the CIRC to be the first, pilot issuer of a corporate, tax exempt supplementary pension scheme and plans to launch the scheme in Liaoning province during 2004. TPI also continued its expansion in the PRC general insurance markets by opening 8 new branches in 2003. The location of these branches are as follows: Wuhan, Dalian, Nanjing, Hangzhou, Chengdu, Jinan, Zhengzhou and Tianjin. During 2003, the Company continued to work closely with its strategic partners in Mainland China: Fortis and ICBC. CIIH greatly values its working relationships with these two world-class financial institutions.

With the accomplishments of the past year, I believe that our execution plan is well on the way and on-track to developing the premier financial services provider in Greater China. I strongly believe that this is in the best interests of our shareholders.

In 2004, our core insurance operations are looking forward to a positive year. Although there are signs that the global reinsurance markets may be peaking in pricing, because of the strong dedication and focus at CIRe to profitability, we are expecting our reinsurance operations to maintain solid and stable profits in the year to come. CIRe will continue to focus on its core group of clients in Greater China and Asia, and expansion opportunities, particularly in the PRC, will be explored if it is profitable to do so. In Mainland China, the economy is expected to continue to be strong in 2004. The life and general insurance markets will continue to ride this powerful economic surge. We are expecting TPL and TPI to build upon their stronger foundation in the world's fastest growing insurance market.



CHAIRMAN'S STATEMENT

With the unexpectedly strong rebound in global equity markets last year, we are not expecting a repeat performance for stocks in 2004. We will therefore continue to limit the percentage of our investment portfolio in equities. On the fixed income side, CIIH will continue to have most of its portfolio in investment grade securities. Because interest rates continue to be at historical lows, the Company will carefully manage its exposure to the potential for interest rate increases during the coming year.

It is truly an honor for me to lead CIIH. I have great pride in our organization's dedication to corporate governance and transparency, and am personally involved in making sure that all of our senior managers are striving to enhance shareholder value in their day-to-day decision-making.

On behalf of the Board of Directors, I thank you for your continued support! I am highly excited and happy about our Company's prospects and future, and look forward to sharing more good news with you in the near term! I would also like to commend all of our employees at CIIH for their wonderful performance in 2003 and thank them for their hard work and dedication.

Yang Chao
Chairman

Hong Kong, 24 March 2004