



YANG Fan Shing Andrew
Deputy Chairman & Chief Executive

Chief Executive's Review

Laying Down the Building Blocks for the Future

As we progress into the new millennium, the world is witnessing unprecedented changes on both the economic and technological fronts. The Company looks forward to a future where we still focus on sustaining our business growth while leveraging on the convenience and enhanced productivity brought about by new and exciting technologies.

Results

Insurance is essentially a long term business where return on capital is most appropriately represented over the life span of a policy. Though the Company is still considered to be in its infancy, it has achieved remarkable growth over the years in which it has generated shareholder profits within a relatively short period of operation.

For the year under review, the Company is reporting a net profit of over HK\$154.3 million, compared to HK\$232.1 million in 1999. Total turnover for the year amounted to HK\$1,696.3 million, representing a 13.4% increase over 1999; total assets increased by 17.4% during the year to HK\$5.9 billion, while the return on the Company's investment portfolio is in line with expectations.

Agency commissions generated from the sale of general insurance declined compared to 1999, mostly due to reduction in qualified agents to distribute general insurance products following the implementation of the IIQAS. On the other hand, a large number of our agents are qualified to distribute life products, which accounts for most of the revenue generated by the Company.

Preparing for a Brighter Future

To facilitate further business expansion in Hong Kong, during the year under review, we have segregated the headquarters of Pacific Century Insurance Holdings

Limited (PCIHL) from the operational centre of Pacific Century Insurance Company Limited (PCI). This allows senior management to focus on achieving regionalisation, in line with the Company's long term development strategy to become a top player in the regional insurance industry.

We are optimistic regarding the future of the insurance market. We are confident that demand for long term investment products will pick up and become a prevailing trend. Such products have long been popular in developed economies and provide a less volatile alternative to investment in property and equities, which may no longer yield satisfactory returns. An aging population is expected to allocate more resources to pension benefits and long term investments. We also foresee that increases in insurance penetration, resulting from the introduction of MPF, will help to instill the concept of investment-linked insurance products through the voluntary contribution component.

Agency Recruitment

It is always the Company's objective to stay ahead of industry trends. We intend to acquire a larger share in the market by building a strong distribution network. It is apparent that the Hong Kong insurance industry relies heavily on interpersonal relationships and on an agency force as the dominant channel of distribution. We recognize the importance of Customer Relationship Management (CRM).

Recruiting, training, and quality qualified agency professionals are keys to our success.

Through the strategic recruitment of high-calibre personnel and the effective use of resources, we have achieved a significant increase in sales. Agent productivity, in particular, has been very encouraging in recent months. We have strengthened our sales force by adding 360 new agents. These new team members are all qualified professionals, each with years of industry experience and a proven track record.

While enlarging the agency force, we have oriented stringent selection standards to ensure the Company provides professional, quality service. The Company's management believes that investing in human resource is one of the most important factors to the success of our business. The enhanced capacity of our sales team will allow distribution of our products to a wider customer base.

We have always believed in the importance of training for quality assurance. About 50% of our agents sat for IIQAS before the end of 2000, and most of our agents have already registered with the Mandatory Provident Fund Schemes Authority upon passing the relevant examination.

Community Programs

Being a responsible corporate citizen in Hong Kong, the Company regularly and actively participates in

various charitable and community service activities. Our aim is to extend our service scope beyond our policyholders onto society as a whole. Through these initiatives, we have taken part in fund raising events for the Matilda Hospital, Hong Kong Society for the Protection of Children, Children Kidney Trust Fund and The Community Chest amongst others. In future, the Company will maintain its policy to continuously assume responsibility for charitable and community services and to share our success with the society which has nurtured our growth and provided us with so much opportunity.

Forward Looking Statement

The year 2000 has been an important year in which the Company laid down essential strategic components as building blocks for a greater future. We believe the Company is well equipped with the best human, financial and strategic resources to forge into the new millennium.

YANG Fan Shing Andrew

Deputy Chairman & Chief Executive

Hong Kong

March 15, 2001



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