

been attempted in Hong Kong but have yet to prove successful on a significant scale. The Group will continue to monitor new developments and will pursue any profitable options.

Apart from its primary responsibility to monitor the growth and productivity of agents, during the year under review, Agency Operations also organised the Australian Convention for the Company in July. Over 182 members from the Group's President's Club took part in the event. Participation in such

collaborative external events, we believe, is a perfect opportunity to foster stronger bonds between agency management personnel.

In April, 2000, a senior agency leader from a competitor resigned and commenced negotiations with certain major insurance companies in Hong Kong, including PCIHL, to offer his services. Having considered all alternatives, this agency leader decided to join the Group towards the end of July, 2000.

The Group incurred certain upfront costs to secure his service, which will be amortised over the length of his contract. His contract commenced after he resigned from his previous employer. The Group is involved in a lawsuit in relation to this recruitment which the Group has good reason to believe will not give rise to any material adverse financial impact.

With equal vivacity, the Group is looking forward to further strengthening the team spirit and sense of belonging of our agency members in 2001, by providing continuous support to their development and training. We intend to assist agents to acquire necessary industry qualifications, or the means for further vocational advancement. The Continuous Professional Development programme, organised by the Hong Kong Insurance Authority, will be made available to agents. Agency productivity has increased by 3% as compared to 1999, reaching HK\$17,300 per agent per month.

(b) Life Operations

Products

The division has launched a new MPF product and three other products in the first half of the year. These products are "Wise Kid", "C100 Protector" and the "Millennium Series".

Wise Kid, in addition to life and accident protection features, also offers a savings plan and scholarship. The product has been designed to target parental purchase as it offers insurance protection with a savings element for future education planning.

C100 Protector is set to fulfill the specific needs and requirements of individual policyholders. In addition to regular life coverage, product premiums can be paid over a designated period with premiums increasing according to age. This product offers the most comprehensive coverage in terms of 46 types of critical illness conditions and coverage is renewable to age 100.

Millennium Series is targeted to offer packages tailored to individual needs. The series offers eight different plans with the same coverage, providing policyholders with varying terms of premium payment up to the age of 100.

Sales

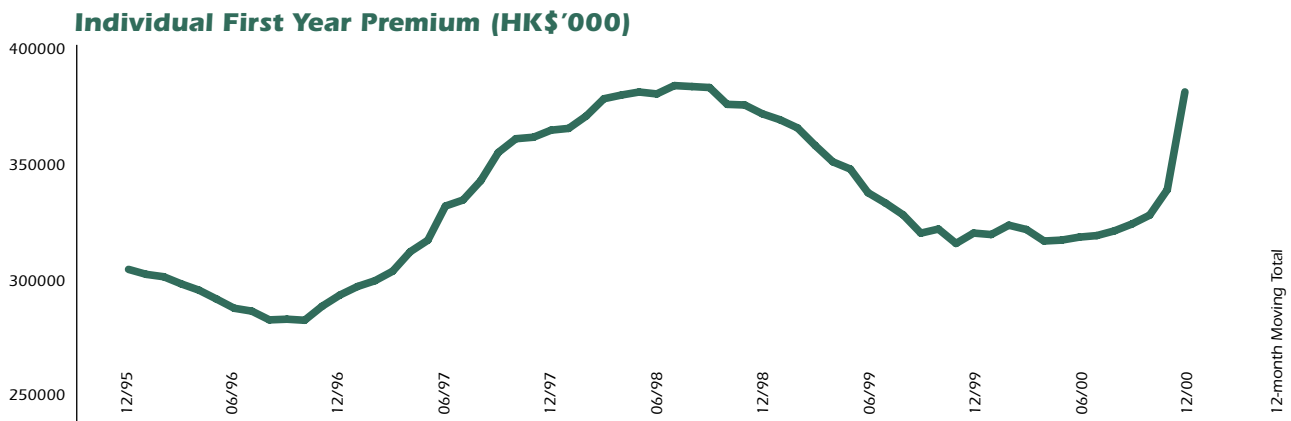
The growth in our life operations division's sales suffered more than the industry average during the 1998-99 period as a number of agents from our team were aggressively recruited by other companies.

With the revival of the Hong Kong economy, the life insurance industry started to show signs of recovery in the second half of 2000. While the industry as a whole reported (through HKFI) a median growth of 2% for the year 2000 in life insurance sales, the division registered a positive growth of 17.4% for the whole year. These figures are, however, only partially comparable.

i. Individual First Year Premium

The figures reported by the HKFI are Annualised First Year Premium (AFYP). Whilst a useful indicator of sales activity for internal use, AFYP can be subject to distortion when agents, rushing to fulfil their annual quotas, submit disproportionately large amounts of business in December. The Group believes that First Year Premium (FYP), in its normal accounting sense is a better indicator.

The following chart shows the Group's new sales based on Individual First Year Premium over the last five years by way of a 12-month moving total.



The following is a 5-year comparison of growth in FYP amongst major life insurance companies in Hong Kong (except for year 2000 where the industry median is AFYP).

	1995	1996	1997	1998	1999	2000
FYP Growth						
PCI	50%	-5%	26%	-1%	-11%	17%
Company A	15%	3%	18%	11%	17%	
Company B	2%	8%	16%	6%	-12%	
Company C		22%	4%	7%	15%	
Company D	7%	5%	64%	42%	23%	
Company E	10%	-2%	-1%	-11%	103%	
Company F		28%	19%	2%	4%	
Company G		159%	32%	24%	24%	
Median		8%	18%	7%	17%	2%

With its sustained momentum, the Group is looking forward to another year of double-digit growth in year 2001.

ii. *Total premiums*

The life insurance business is different from most other businesses in that it derives most of its revenue, and therefore profits, from policies sold in previous years. It is, therefore, important to look at its total premium income for the year since this is the base from which the Group is going to derive its future revenue. The following chart shows, on a 12-month moving total basis, the Group's total premium income over the last five years. Despite a temporary slow down during the 1998-1999 period, the chart shows generally uninterrupted growth over the past five years.

