

Report of the Directors

The directors have pleasure in presenting their annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2000.

Principal activities

The Group is principally engaged in the provision of an extensive range of whole life, endowment and term life insurance products to individuals in Hong Kong. The Group also provides a range of other related products, including accident, medical and disability insurance to individuals, group life and accident, medical and disability insurance, group retirement scheme management and general insurance products through an agency arrangement. During the year, the Group commenced to engage in asset management business.

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 14 to the financial statements.

Segmented information

The Group's turnover and contribution to operating profit before tax for the year were derived from the Group's business activities conducted in Hong Kong.

Information on the Group's turnover and contribution to operating profit before tax, analysed by principal activity, is set out in notes 3 and 5 to the financial statements, respectively.

Results and dividends

The Group achieved a net profit of HK\$154.3 million for the year ended 31 December 2000. The state of affairs of the Company and the Group at that date are set out in the financial statements on pages 57 to 91.

The directors do not recommend the payment of any dividends to shareholders in respect of the year.

The directors propose a bonus issue of new ordinary shares to the shareholders of the Company whose names appear on the register of members of the Company on 8 May 2001. The proposed bonus issue will be made on the basis of one new bonus share for every five existing issued shares. The bonus shares will be credited as fully paid at par and will rank pari passu with existing issued shares of the Company in all respects, except that they will not be eligible for the proposed bonus issue mentioned above.

The proposed bonus issue of new ordinary shares is subject to (i) the approval of the Company's shareholders at the forthcoming annual general meeting; and (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the bonus shares on the Stock Exchange.

No fractional shares will be allotted and shares representing fractional entitlements (if any) will be aggregated and issued to a nominee to be named by the directors and such shares, at such time as the nominee thinks fit, shall be sold and the net proceeds thereof shall be retained for the benefit of the Company.

Summary financial information

A summary of the results and of the assets and liabilities of the Group is set out on pages 92. This summary does not form part of the audited financial statements.

Fixed assets

Details of movements in the fixed assets of the Group are set out in note 13 to the financial statements.

Subsidiaries and associate

Particulars of the Company's subsidiaries and associate are set out in notes 14 and 15 to the financial statements.

Share capital and share options

Details of movements in the Company's share capital and share options during the year are set out in notes 25 and 26 to the financial statements, respectively.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the Companies Act 1981 of Bermuda (as amended) which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, sale or redemption of listed securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements.

Distributable reserves

As at 31 December 2000, the Company's reserves available for cash distribution and/or distribution in specie, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to HK\$13.9 million. In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus may be distributed under certain circumstances. The Company's share premium account, in an amount of HK\$167.9 million as at 31 December 2000, may be distributed in the form of fully paid bonus shares.

Charitable donations

During the year, the Group made charitable and other donations totalling HK\$500,000 (1999: HK\$191,000).

Liquidity and financial resources

The Group has no borrowings for the year ended 31 December 2000 and as at that date.

Major customers

The aggregate income attributable to the Group's five largest customers was less than 30% of the total income for the year.

Staff

As at 31 December 2000, the Group has 398 (1999: 342) employees, an increase of 16% (1999: 9%) over last year. Total remuneration for the year was in the amount of HK\$160.6 million (1999: HK\$128.1 million).

The Group's compensation system is aimed at paying among the leaders in the industry, paying staff based upon performance and striving for fairness in the administration of pay.

We have implemented all kinds of local and international insurance related training programmes such as actuarial courses, LOMA, ICA, Mandatory Provident Fund Scheme Examination and Insurance Intermediaries Qualifying Examination to enhance professionalism and services to our clients. The participation rate in these programmes is extremely high.

Retirement benefit schemes

Details of the Group's retirement benefit schemes and its contributions charged to the consolidated revenue and profit and loss accounts for the year are set out in note 33 to the financial statements.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive directors:

YUEN Tin Fan, Francis

YANG Fan Shing, Andrew

WANG Xianzhang (resigned on 30 November 2000)

ALLEN Peter Anthony

ARENA Alexander Anthony

BONNER John Todd

CHUNG Cho Yee, Mico

LEE Ho Sang

LIU Fei (resigned on 30 November 2000)

LUK Kin Yu, Peter

TO Peter

YANG Chao (appointed on 30 November 2000)

ZHENG Chang Yong (appointed on 30 November 2000)

Non-executive director:

WANG Xianzhang (appointed on 30 November 2000)

Independent non-executive directors:

CHANG Hsin Kang

FRESHWATER Tim

WONG Yue Chim, Richard

In accordance with the Company's Bye-laws, Mr. YANG Chao, Mr. ZHENG Chang Yong and Mr. WANG Xianzhang will retire from office at the forthcoming annual general meeting. All of them, being eligible, offer themselves for re-election.

Directors' service contracts

The Company has entered into service contracts with all the executive directors of the Company for the provision of management services to the Group, details of each of which are as follows:

- (1) Mr. Yang Fan Shing, Andrew entered into a service contract with the Group for a period of five years commencing on 1 July 1999.
- (2) Each of Mr. Lee Ho Sang and Mr. Luk Kin Yu, Peter entered into a service contract with the Group for an initial period of three years commencing on 1 July 1999.
- (3) The service contract for each of the other executive directors is indefinite.

The non-executive director has been appointed for an initial term of three years with effect from 30 November 2000.

The independent non-executive directors have been appointed for an initial term of three years with effect from 8 June 1999.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Emoluments of directors and the five highest paid individuals

Details of the directors' emoluments and of the five highest paid individuals in the Group are set out in notes 6 and 7 to the financial statements, respectively.

Directors' and chief executive's interests in shares and warrants

As at 31 December 2000, the interests of the directors, the chief executive and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Interests in the Company:

Name of director	Number of issued shares of HK\$1 each			
	Personal	Family	Corporate	Other
YUEN Tin Fan, Francis	—	—	2,254,000	—
YANG Fan Shing, Andrew	—	—	66,496,035	—
LEE Ho Sang	—	300,000	3,815,302	—
LUK Kin Yu, Peter	—	—	3,815,302	—
ALLEN Peter Anthony	180,000	—	—	—

The directors' and chief executive's interests in the Company's share options are disclosed in the section "Directors' and chief executive's rights to acquire shares" below.

Directors' and chief executive's interests in shares and warrants (Continued)

Interests in associated corporations:

I. Pacific Century Regional Developments Limited

Name of director	Number of issued shares of S\$0.10 each			
	Personal	Family	Corporate	Other
YUEN Tin Fan, Francis	4,370,000	—	—	23,550,000
YANG Fan Shing, Andrew	5,000,000	—	—	—
LEE Ho Sang	2,300,000	—	—	—
LUK Kin Yu, Peter	1,000,000	—	—	—
ALLEN Peter Anthony	5,010,000	—	—	—
TO Peter	10,000,000	—	—	—

II. Pacific Century CyberWorks Limited

(a) Ordinary shares

Name of director	Number of issued shares of HK\$0.05 each			
	Personal	Family	Corporate	Other
YUEN Tin Fan, Francis	13,735,000	—	—	2,575,000
YANG Fan Shing, Andrew	109,912	—	—	—
LEE Ho Sang	56,331	—	—	—
LUK Kin Yu, Peter	400,000	—	—	—
ALLEN Peter Anthony	260,000	—	—	—
ARENA Alexander Anthony	#1,000	—	—	—
CHUNG Cho Yee, Mico	5,881,300	92,276	—	—
TO Peter	5,500,000	—	—	—
CHANG Hsin Kang	70,000	—	—	—

Note: #1,000 shares are held in the form of 100 ADRs (American Depository Receipt).

(b) Warrants

Name of director	Value of warrants held			
	Personal HK\$	Family HK\$	Corporate HK\$	Other HK\$
YUEN Tin Fan, Francis	6,075,000	—	—	1,125,000
ALLEN Peter Anthony	150,000	—	—	—
CHUNG Cho Yee, Mico	2,569,500	40,305	—	—
TO Peter	4,500,000	—	—	—

Save as disclosed above, none of the directors or the chief executive or their associates had any personal, family, corporate or other interests in the shares and warrants of the Company or any of its associated corporations as defined in the SDI Ordinance.