

Notes to Financial Statements

31 December 2000

16. Investments

| | Notes | Group | |
|--|-------|------------------|------------------|
| | | 2000 HK\$'000 | 1999 HK\$'000 |
| Listed bonds held-to-maturity, at amortised cost | 17 | | |
| Hong Kong | | — | 137,938 |
| Elsewhere | | — | 270,404 |
| | | — | 408,342 |
| Other listed bonds, at market value | 17 | | |
| Hong Kong | | 253,250 | 65,118 |
| Elsewhere | | 851,577 | 653,813 |
| | | 1,104,827 | 718,931 |
| Listed equity linked notes, at market value | | | |
| Hong Kong | | — | 49,713 |
| Unlisted equity linked notes, at fair value | | — | 80,386 |
| Listed equities, at market value | | | |
| Hong Kong | | 139,426 | 37,675 |
| Elsewhere | | 200,988 | 60,670 |
| | | 340,414 | 98,345 |
| Listed unit trusts, at market value | | | |
| Hong Kong | | 22,800 | — |
| Unlisted unit trusts, at fair value | | 234,874 | 235,006 |
| | | 1,702,915 | 1,590,723 |
| Investments classified under current assets | | (1,702,915) | (1,182,381) |
| Investments classified under non-current assets | | — | 408,342 |

17. Listed Bonds

The listed bonds analysed by issuer as at the balance sheet date were as follows:

| | Group | |
|--|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 |
| Governments | 150,737 | 449,340 |
| Banks and other financial institutions | 236,447 | 91,095 |
| Corporate entities | 717,643 | 586,838 |
| | 1,104,827 | 1,127,273 |
| Listed bonds held-to-maturity | — | (408,342) |
| Other listed bonds | 1,104,827 | 718,931 |

The maturity profile of the listed bonds as at the balance sheet date was as follows:

| | Group | |
|--|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 |
| With a residual maturity of: | | |
| Three months or less | 186,286 | 137,549 |
| One year or less but over three months | 129,369 | 43,273 |
| Five years or less but over one year | 620,819 | 748,157 |
| Over five years | 168,353 | 198,294 |
| | 1,104,827 | 1,127,273 |
| Listed bonds held-to-maturity | — | (408,342) |
| Other listed bonds | 1,104,827 | 718,931 |

During the year, the directors conducted a comprehensive review of the Group's listed bonds which were intended to be held to maturity as at 31 December 1999. As a result of this review, the Group disposed of all of these held-to-maturity bonds, the directors having considered the increasing foreseeable credit risks of and also the outlook for the bonds which may be affected in the near future. The aggregate amortised cost of these held-to-maturity bonds prior to their disposal amounted to HK\$449,071,000.

The market value of the listed bonds held-to-maturity as at 31 December 1999 was HK\$446,478,000.

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18. Loans

| | Group | |
|-------------------------------|----------------|----------------|
| | 2000 | 1999 |
| | HK\$'000 | HK\$'000 |
| Secured loans to directors | 22,643 | 30,739 |
| Policy loans | 149,427 | 82,725 |
| Loans to employees and agents | 191,384 | 187,563 |
| Other loans | 15,600 | 15,544 |
| | 379,054 | 316,571 |

The policy loans are made to policyholders and secured by the policies' cash surrender value. They have no fixed terms of repayment.

Particulars of the secured loans to directors disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

| | Balance as at 31 December 2000 HK\$'000 | Maximum amount outstanding during the year HK\$'000 | Balance as at 1 January 2000 HK\$'000 |
|----------------------------|--|--|--|
| Mr. Yang Fan Shing, Andrew | 22,276 | 23,168 | 22,486 |
| Mr. Lee Ho Sang | — | 7,659 | 7,659 |
| Mr. Luk Kin Yu, Peter | 367 | 594 | 594 |
| | 22,643 | | 30,739 |

The Group provides secured loans to directors, employees and agents which are interest-bearing at the prevailing bank lending rate, secured by the underlying properties and motor vehicles, and are repayable by monthly instalments.

19. Deferred Acquisition Costs

| | Group | |
|--|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 |
| Balance at beginning of year | 1,459,902 | 1,290,470 |
| Additions | 405,482 | 356,672 |
| Less: Amortisation | (224,454) | (187,240) |
| Balance at 31 December | 1,640,930 | 1,459,902 |
| Portion reclassified as current assets | (245,500) | (204,952) |
| Non-current portion | 1,395,430 | 1,254,950 |

20. Cash and Cash Equivalents

| | Group | | Company | |
|------------------------|------------------|------------------|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 | 2000 HK\$'000 | 1999 HK\$'000 |
| Cash and bank balances | 234,773 | 70,087 | 100 | 1,005 |
| Fixed term deposits | 1,427,815 | 1,194,195 | 9,211 | — |
| | 1,662,588 | 1,264,282 | 9,311 | 1,005 |

The maturity profile of the fixed term deposits as at the balance sheet date was as follows:

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2000 HK\$'000 | 1999 HK\$'000 | 2000 HK\$'000 | 1999 HK\$'000 |
| With a residual maturity of: | | | | |
| Three months or less | 1,425,888 | 1,192,365 | 9,211 | — |
| One year or less but over three months | 1,927 | 1,830 | — | — |
| | 1,427,815 | 1,194,195 | 9,211 | — |

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21. Premium Deposits

Premium deposits are amounts that are left on deposit with the Group for the payment of future premiums.

22. Due to Related Companies

The amounts due to the related companies arose from the ordinary and normal course of business with terms similar to those offered to other customers of the Group.

23. Future Insurance Liabilities

| | Group | |
|---|-----------|-----------------------------------|
| | 2000 | 1999 |
| | HK\$'000 | HK\$'000 (restated Note 11) |
| As at 1 January | 2,596,527 | 2,148,202 |
| Increase for the year | 531,286 | 444,493 |
| Currency realignment | 5,854 | 3,832 |
| | 3,133,667 | 2,596,527 |
| Non-current portion of amounts payable under financial reinsurance contracts | 56,689 | 104,857 |
| At 31 December | 3,190,356 | 2,701,384 |

As at 31 December 2000, the current portion of amounts payable under financial reinsurance contracts amounted to HK\$48,168,000 (1999: HK\$43,403,000), which was included in other insurance liabilities.

24. Deferred Tax

As at 31 December 2000, the Group and the Company did not have any significant unprovided deferred tax liabilities (1999: Nil).

No future tax benefit arising from the utilisation of the available tax losses of a subsidiary has been recognised as at 31 December 2000 (1999: Nil).

25. Share Capital

| | Company | |
|------------------------------------|-----------|-----------|
| | 2000 | 1999 |
| | HK\$'000 | HK\$'000 |
| Authorised: | | |
| 3,000,000,000 shares of HK\$1 each | 3,000,000 | 3,000,000 |
| Issued and fully paid: | | |
| 689,250,000 shares of HK\$1 each | 689,250 | 689,250 |

26. Share Option Scheme

Pursuant to a special general meeting on 16 June 1999, the Company adopted a share option scheme which became effective upon the listing of the Company's shares on 7 July 1999 and remains in-force for a period of ten years commencing on 16 June 1999. The maximum number of shares in respect of which options may be granted under the share option scheme and any other share option schemes of the Company may not exceed 10% of the share capital of the Company in issue from time to time.

As at 31 December 2000, the Company had 59,965,625 (1999: 63,103,625) outstanding share options granted on 7 July 1999 to certain directors, employees and agents pursuant to the terms of the above share option scheme. 20% to 60% of the holders' entitlements to the outstanding share options granted became exercisable commencing on the first anniversary of the date of grant, and on subsequent second to fifth anniversaries of the date of grant, further 20% tranches of the holders' entitlements, as applicable, become exercisable. The options are exercisable at subscription prices of HK\$5.024 to HK\$6.280. The options will expire between 6 July 2005 to 6 July 2009.

During the year, no other share options were exercised and 3,138,000 share options had lapsed.

Save as disclosed above, no other share options were granted pursuant to the terms of the share option scheme.