

Strategies

While the first half of this year turned out to be a very difficult period for investment, our two unit trusts launched late last year have shown satisfactory performance and ranked within the top quartile of funds in their categories. It remains our goal to build a strong investment track record in order to inspire investors' confidence and trust for future business development.

SEASONALITY/CYCLICALITY OF INTERIM OPERATIONS

Business is usually slower at the beginning of the year when both the calendar and Chinese New Year holidays shorten the market calendar. As the economy in Hong Kong has not fully recuperated from the economic turmoil of 1997, the insurance business has been suffering from sluggish growth in recent years.

NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND SHARE OPTION SCHEMES AND TRAINING SCHEMES

As at June 30, 2001, the Group has 370 employees, a decrease of 7.0% as compared to last year end. Total remuneration for the first six months was HK\$91.0 million. The Group has 2,068 agents as compared to 2,168 as at the end of last year.

The Group's compensation system aims at maintaining comparable wage levels to other leaders in the industry; rewarding staff based on performance and striving for fairness in the administration of pay.

As at June 30, 2001, the Company had 67,223,620 (December 2000: 71,958,750) outstanding share options granted on July 7, 1999 to certain directors, employees and agents pursuant to the terms of the Company's share option scheme. During the period, no share options were granted or exercised and 4,735,130 share options lapsed. The subscription price per share option and the number of share options outstanding as at June 30, 2001 were adjusted to reflect completion of the bonus issue of new ordinary shares on May 17, 2001.

Management Discussion and Analysis (Continued)

We have implemented a variety of local and international insurance-related training programmes such as actuarial courses, LOMA, ICA, Mandatory Provident Fund Scheme Examination and IIQAS Qualifying Examination to enhance professionalism and services to our clients. Participation rates in these programmes have been extremely high.

DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at June 30, 2001, there were no charges on the Group's assets.

FUTURE PLANS

The Group will continue to seek alternative channels of distribution and at the same time develop innovative products to suit the changing needs and demands of the market to prevail amidst growing competition from banks and other life insurance companies.

It is the Group's objective to increase our market share as well as the proportion of qualified agents in our agency force so as to remain a leader in the industry. With the PRC's forthcoming admission into the WTO, the Group strongly believes that it will be granted a life insurance operating licence in future and will benefit from the anticipated economic growth in the Mainland.

With growing public concern over the conduct of insurance intermediaries, the Group sees it essential to maintain the standards and business ethics of our insurance agents. A series of courses have been arranged for existing insurance agents to upgrade their knowledge and enhance service standards. The Group will also provide revision courses to assist newly recruited agents in qualifying for the IIQAS examination.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended June 30, 2001 (June 2000: NIL).

INVESTOR RELATIONS

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: "65"). Investor enquiries regarding the Company should be addressed to:

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