

Notes to the Condensed Consolidated Financial Statements (Continued)

12. INVESTMENTS (Continued)

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

	Unaudited as at 6/30/2001 HK\$'000	Audited as at 12/31/2000 HK\$'000
Governments	251,941	150,737
Banks and other financial institutions	638,775	236,447
Corporate entities	1,184,657	717,643
	2,075,373	1,104,827

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

	Unaudited as at 6/30/2001 HK\$'000	Audited as at 12/31/2000 HK\$'000
With a residual maturity of:		
Three months or less	1,118	186,286
One year or less but over three months	93,548	129,369
Five years or less but over one year	1,047,711	620,819
Over five years	932,996	168,353
	2,075,373	1,104,827

13. CONTINGENT LIABILITIES

As at June 30, 2001, the Group and the Company had no material contingent liabilities other than contingencies arising from the ordinary course of the long term insurance business (December 2000: Nil).

14. PENDING LITIGATION

On September 21, 2000, a writ was issued against a number of persons, including Pacific Century Insurance Company Limited ("PCI"), a wholly-owned subsidiary of the Company, and certain insurance agents of PCI, by certain members of an insurance group operating in Hong Kong ("the Plaintiffs"), whereby the Plaintiffs are seeking, among other things, injunctive relief and damages against PCI in connection with PCI's plan matching scheme and the purported use of certain documents and information.

On July 24, 2001, a High Court judge granted the Plaintiffs interim injunctive relief pending the trial of the action or further order. The interim injunctive relief restrains PCI, among others, from disclosing or otherwise making any use of certain documents and information, and accepting applications for life insurance policies in certain circumstances. PCI is appealing against the court order made on July 24, 2001 and applying for a stay of execution of the court order pending the hearing of the appeal.

Having consulted legal counsel, the Group has determined that it will continue vigorously to defend these proceedings. In the opinion of the directors, it is unlikely that the final outcome of these proceedings would materially affect the financial position of the Group.

15. RELATED PARTY TRANSACTIONS

(a) Details of transactions with companies related to the Group are as follows:

	Notes	Unaudited six months ended	
		6/30/2001 HK\$'000	6/30/2000 HK\$'000
Premium income in respect of group life and medical policies issued to:			
Pacific Century Asset Management (HK) Limited (trading as "Pacific Century Group")	(i)	5,882	1,987
PCCW Services Limited		2,323	0
Pacific Century Systems Limited		507	412
Morningstar Asia Limited		8	0
Power Logistics Limited		126	0
General insurance commission income received from The Ming An Insurance Company (H.K.) Limited	(ii)	4,605	3,963

Notes to the Condensed Consolidated Financial Statements (Continued)

15. RELATED PARTY TRANSACTIONS (Continued)

Notes:

(i) The Group entered into a number of group life and medical policies with certain companies related to the ultimate holding company of the Group, Pacific Century Group (Cayman Islands) Limited and its associates. In the opinion of the directors, the group life and medical policies for these related companies are negotiated on terms and conditions similar to those offered to other policyholders of the Group.

(ii) Pursuant to an agency agreement dated November 1, 1994, PCI was appointed as an agent of The Ming An Insurance Company (H.K.) Limited ("Ming An"), a subsidiary of China Insurance H.K. (Holdings) Company Limited ("CIHK"), to introduce general insurance business to Ming An. CIHK is the holding company of Ming An, which is a substantial shareholder of the Company.

As a result of the performance of agency services in introducing general insurance business, the Group receives commission income from Ming An, which is calculated in accordance with the agency agreement.

(b) The Group provided 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 on a monthly instalment basis.

(c) As at June 30, 2001, the Group had a total amount of HK\$4,731,000 (December 2000: HK\$16,544,000) payable to related companies which arose from the ordinary and normal course of business conducted on terms similar to those offered to other customers of the Group.

The transactions mentioned in (a) and (b) above constitute connected transactions under the Listing Rules.

16. COMMITMENTS

Operating lease commitments

	Unaudited as at 6/30/2001 HK\$'000	Audited as at 12/31/2000 HK\$'000
Annual commitments payable under non-cancellable operating leases in respect of land and buildings expiring:		
Within one year	434	255
In the second to fifth years, inclusive	53,734	54,212
	54,168	54,467