



Chairman's Statement

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Several incidents that took place in 2001 have subjected the industry to public attention. Terrorist attacks in New York City on September 11 do not have any direct impact on our operations. However, the rippling damage from these incidents has affected the global economy as a whole. Implementation of the IIQAS (Insurance Intermediaries Quality Assurance Scheme) and the first Mandatory Provident Fund (MPF) scheme in Hong Kong combined with concern over possible fluctuation in premium levels and claim eligibility of aviation activities resulting from the September 11 tragic events have created an uncertain operating environment for the industry.

In this highly uncertain and competitive environment, we must reassess our resources and make more efficient use of them. We must streamline our operation, exercise better financial control and enhance the productivity of our agency force. In the months ahead, PCI will foster closer ties with our sister companies within the Pacific Century Group, develop stronger working relationships, and pool our different strengths and expertise to enhance our competitive position as a whole.

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Being part of a larger family, the Group will seek to carve out a place in the vastly untapped insurance market in the PRC. The mainland has long been acknowledged as having the greatest growth potential in the region. Now that PRC has recently been admitted as a member of the WTO, subject to the relevant rules and regulations, expansion into the PRC will, therefore, be one of our top priorities.

Our asset management arm, PCIIM, has continued to perform well during the period under review, assuming the top spot in competition with other investment funds in the category of Asset Allocation Global Flexible - One Year. Always striking a balance between risk and reward, our investment strategy embodies both expert knowledge with aggressiveness inherent in the financial industry with seasoned pragmatism gained from being an established life insurer. This approach has proven to be most successful and will continue to steer us in our future endeavours. PCIIM will focus on enlarging the size of our funds under management to HK\$8 billion in the medium term. Our on-going mission is to become one of the leading investment managers by delivering consistent and outstanding investment services to our clients. We will

proactively promote awareness of the PCIIM brand identity and acquire new customers amongst high net-worth individuals.

As stated in our previous report, investment-linked products are poised to take up a considerably larger share of the market. A number of new products are already in the pipeline, and our next task is to identify and establish the most suitable and effective channels for distribution in addition to using our agency force. I believe we are well positioned in our own launch as we retain some of the finest talents in investment management and operate one of the strongest agency forces in Hong Kong.

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I would like to take this opportunity to express my gratitude to my colleagues both on the Board and at the operating level for their hard work and dedication in a most challenging year. I would like to thank Mr. Hans Lee and Mr. Peter Luk in particular for their contributions in building the Group into a leading life insurer over the last eight years. Both Mr. Lee and Mr. Luk have notified me of their intention not to renew their service contracts which are due to expire on June 30, 2002 in order to pursue other interests. I would like to wish them all the best in their new pursuits.

I would also like to welcome Mr. Peter So and Mr. Sam Cheung who have been appointed Chief Operating Officer and Chief Financial Officer to replace Mr. Lee and Mr. Luk respectively. They also joined the Board on March 15, 2002.

With the experience and expertise of the new management team, I am confident that we will continue to provide excellent services to our policyholders, and deliver consistent long term shareholder value to our shareholders.

YUEN Tin Fan Francis

Chairman

Hong Kong

March 16, 2002