



# Message from the Chief Executive

‘We will continue to grow with a specific strategy to develop each of our business units. We will rely on the human factor as the most important element in our success. Accolades from prominent business accrediting organizations, such as BSI and A.M. Best, serve as testimonies to our service standards and financial strengths.’

Dear Shareholders,

I take pleasure in reviewing the Group’s operation for 2001 as our hard work has been rewarded and progress has been made during the year, despite a highly competitive operating environment.

## Summary of Results

For the period under review, our first year premium income amounted to HK\$515.9 million against HK\$400.4 million in 2000, while total premium reported is HK\$1,970.8 million, representing an increase of 16.7% against HK\$1,688.2 million reported in the previous year.

Our profit for the year increased by 1.1% to HK\$155.9 million, while the total number of policies rose to 313,493.

Persistency rate (12-month moving LIMRA) for 2001 is 80%, representing an increase of 20% as compared to 60% in 2000.

Over the years, the Group has developed into one of the leading insurers in Hong Kong. As our operation is gaining more ground, we are beginning to experiment with other areas within the financial service sector by establishing our own asset management arm, PCI Investment Management Limited. This business venture has continued to achieve impressive results during the period under review.

## Industry Development

2001 was an unsettling year for the insurance industry worldwide, beset by apprehension over possible compensation for human and collateral damages from terrorist sabotage.

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At the local level, there has been a shortage of qualified and experienced agents with the implementation of IIQAS. Consolidation has taken place within the industry as the total number of registered agents decreased from around 50,000 in 1997 to around 30,000 by the end of 2001.

### Leadership & Mentoring

We believe year 2002 will bring new opportunities for our business to grow should the overall economy begin to improve by the second half of the year. It is important that the Group prepares itself to generate timely responses to the slightest change in the operating environment.

On the individual level, this entails adding value and enhancing one's worth through lifetime learning and continuous education. We believe this mentality is critical in an era where information and knowledge are readily available and are spreading at a phenomenal rate. Regulatory bodies of the industry have already embarked upon this mission, with the Continuing Professional Development ("CPD") Programme under IIQAS as a clear example.

The Group will play a leading role in advocating lifetime learning and knowledge enhancement. Having resourceful and well-informed employees and agents is the most important way for the Group to maintain its competitiveness and survive in the long run. We fully support and encourage this scheme, as it is important in maintaining the professionalism and quality of our service. Our human resources and agency operation departments dedicate available resources to assist and motivate our employees in achieving this goal. We actively encourage all employees to partake in professional examinations and industry-related qualifications, such as those offered by the Life Office Management Association, Inc. (LOMA).

### Maintain Profitability

The SAR is currently facing a serious economic challenge. With unemployment rates hitting record high and deflationary pressures lingering, we continue to adopt a prudent approach in fiscal management. Where necessary, we will implement appropriate measures to strengthen our operation. We will endeavor to nurture a highly productive workforce that will be ready to take on expansion opportunities when the economy begins to take a turn for the better. Our focus

will be on business areas and products with high growth potential, including several life products and investment-linked products.

We will explore additional feasible distribution channels to complement our agency force, broaden our current customer base and ultimately increase our share of the local insurance market, especially for investment-linked products. Our Asset Management is another profitable area where the Group will seek to establish a stronger foothold.

### Corporate Citizenship

During the year under review, our staff and agents have participated in various charity and community programmes. In doing so, our agents and employees have grown closer as a team. We have participated, amongst others, in the Community Chest, Against Child Abuse, and the Matilda Sedan Chair Race. Contributions made will be spent on alleviating the plight of the underprivileged. We have also sponsored prominent sports and cultural events, such as the World Women's Beach Volleyball Tournament and charity gala premiere of blockbuster movies.

### Forward Looking Statement

While we have proudly declared our commitment to Hong Kong as a leading local insurance company, we will seek to expand our business into the PRC market when relevant regulations allow and opportunities arise. It is likely that Hong Kong will have an advantage over foreign competitors in gaining access to the mainland as it falls under the ultimate sovereignty of the PRC.

We will continue to grow with a specific strategy to develop each of our business units. We will rely on the human factor as the most important element in our success. Accolades from prominent business accrediting organizations, such as BSI and A.M. Best, serve as testimonies to our service standards and financial strengths. In order for us to realize our goal to be a leading insurer, we will continue to acquire broader recognition for our achievements.

### YANG Fan Shing Andrew

*Deputy Chairman and Chief Executive*

Hong Kong

March 16, 2002