

chairman's statement

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It is a time of change.

2002 was a difficult year for the world economy. With the US, Europe and Japan all teetering on the edge of recession, we are faced with the prospects of global deflation for the first time since 1930s. Hong Kong was not spared from the gloom as we experienced the fourth year of deflation that dampened consumer spending and weakened investment sentiment.

A particularly competitive life insurance market place had a significant impact on our financial results for 2002. New business for Individual Life dropped by 39.3% compared to last year. Two major reasons attributed to the contraction of business; firstly, there was a departure of experienced agents at the beginning of 2002 and secondly, there was a

declining trend in productivity per agent throughout the year. Despite the above, renewal premium was maintained at HK\$1,447.2 million due largely to a very solid base built over the past years. As a result, total premium declined by only 13.9% to HK\$1,697.1 million. However, it was the first total premium drop reported since the Company was restructured under the current management in 1994. On a more positive note, our asset management company, PCIMM, has once again achieved remarkable results on the investment which generated an impressive 8.3% return on our investment portfolio and we have been reaffirmed an 'A-(Excellent)' rating from The A.M. Best Company confirming our sound financial position.

We have emerged from a year of struggle and rebuilding and we have made headway in strengthening our position and in maximizing our stakeholders' value. We began 2003 by streamlining our agency hierarchy to improve agents' productivity. We will continue to control our operating costs, recruit quality insurance agents and introduce new products. In March 2003, we have strengthened our management team by the appointment of Mr. Raymond Chan as our Managing Director who will be overseeing the Group's entire operations and responsible for driving and developing new area of business for the Group. With his extensive experience in the industry, I am confident that he can lead the Company to the next stage of development as a premier insurance service provider in Hong Kong, to enhance growth and promote our stakeholders' value. Mr. Andrew Yang will remain as Deputy Chairman until his contract expires in June 2004.

Corporate Citizenship It is our commitment to give back to the community, and we continue to expand our corporate-giving focus. During the year under review, we participated in the Community Chest, Against Child Abuse and the Matilda Sedan Chair Race. In addition, we have also sponsored prominent sports and environmental events. We are particularly excited over the accolades awarded to the Group, such as the co-winner of Superbrands Hong Kong 2002/2003 and Caring Company 2002/2003. Our corporate website won the Web Care Award and the design of our Annual Report 2001 received 'Excellent Award'. We have also successfully upgraded the ISO 9002 certification to Year 2000 standard. All these served as testimonies to our branding, commitment to community programs and service standards.

Going Forward While 2002 has been a difficult year, it has also shown that we have formidable strength and we continue to respond well to the changing environment and accelerate our plan to focus on excellence. We will focus on recruiting experienced agents, maintaining and improving the quality of our staff and providing premium services to our customers. We will also aspire to achieve better results for our stakeholders in year 2003.

Our company has a solid base, a good management team and a dedicated workforce, who are dedicated to overcome this difficult period and work together to realize our vision to become the most professional homegrown life insurance company in Hong Kong.

YUEN TIN FAN FRANCIS

Chairman

Hong Kong

March 17, 2003