

Chairman's statement

2003 has been a landmark year for Pacific Century Insurance. The economy of Hong Kong is recovering and we have been able to achieve remarkable results with soaring profits and our share price has outperformed the Hang Seng Index.

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Although Hong Kong was faced with several challenges such as the outbreak of SARS and the weak economic environment in the first half of the year, our economy has been recovering which is beneficial to the insurance industry. We have been able to achieve remarkable results with our profit soaring 81.6% to HK\$216.0 million and our share price outperforming the Hang Seng Index.

Our management team has been strengthened with the appointment of Mr. Raymond Chan as the Managing Director in March 2003. Following his appointment, we have significantly improved our operational efficiency and fostered a closer link and relationship between the new management team and the agency force.

Operating results

Annualised first year premium on individual life insurance business increased 33.0% to HK\$315.8 million. First year

premium received from life insurance business increased 24.2% to HK\$292.3 million. Total premium (first year premium and renewal premium) on life insurance business increased 4.0% to HK\$1,655.1 million. Group consolidated net profit amounted to HK\$216.0 million, representing an increase of 81.6% from HK\$119.0 million achieved in 2002. On a per share basis, earnings were HK\$0.26, an increase of 82.1% from HK\$0.14 in the prior year.

We are also pleased with the productivity of our agents, which has improved significantly. Though business was adversely affected by the outbreak of SARS in the first half of 2003, new business has picked up well in the second half, which offset the negative impact and exceeded our sales targets.

Investments

We have once again achieved remarkable results on investments. Though the financial market was relatively volatile, the funds managed by PCIIM still registered good investment return with total assets under management surpassing US\$1.16 billion and return of 10.2% making another landmark in the history of the Group.

We would also like to report that PCIIM Asia Pacific Fund, a Hong Kong SFC authorised fund, was awarded the Benchmark Fund of the Year in the "3-year Awards Asia Pacific Equity" category. This award is granted to the fund with the highest risk adjusted return in the respective category.

PCI Community

We are committed to giving back to the community. During the SARS period, we donated masks to the elderly people, provided free medical benefits and increased death benefits to our customers who were affected by SARS. We also donated education fund insurance policies

to certain children who lost their parent(s) from SARS. We supported the blood donation organised by Red Cross. Our staff and agents have formed a PCI Volunteer Team and have actively participated in community works to help the needy and the less fortunate.

Moving forward

We achieved solid results in year 2003 and have built a strong foundation for growth in year 2004. Moving forward, we will continue to provide superior services to our customers. We will also continue to improve agent productivity, exercise tight control on operating expenses to improve efficiency, and actively look for growth opportunities to improve return to shareholders. 2004 is the 10th anniversary of the Group, on behalf of the Board of Directors, we would like to thank our customers, partners, shareholders and employees for their continued support, commitment and confidence. We look forward to another prosperous year ahead.

YUEN TIN FAN FRANCIS

Chairman

Hong Kong

23 February 2004