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The directors have pleasure in presenting their annual report and the audited financial statements of the Company and of the Group for the year ended 31 December 2003.

Principal activities

The principal activity of the Company is investment holding.

The Group is principally engaged in the provision of a range of whole life, endowment and term life insurance products to individuals in Hong Kong as well as being engaged in asset management. The Group also provides a range of other related products, including accident, medical and disability insurance to individuals, group life and accident, medical and disability insurance and general insurance products through agency arrangements.

In June 2002, Pacific Century Insurance Company Limited ("PCI") (an indirect wholly-owned subsidiary) entered into an agreement for the transfer of its Mandatory Provident Fund business to HSBC Life (International) Limited ("HSBC Life"). The related activities have been accounted for as discontinuing operations in the preparation of the current financial statements, details of which are set out in note 34 to the financial statements. Other than this discontinuance, there were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The Group's profit for the year ended 31 December 2003 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 44 to 87.

The directors recommend the payment of a final dividend of HK\$0.06 per ordinary share in respect of the year, to shareholders recorded on the register of members as at 15 April 2004. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

Summary of financial information

A summary of the published results of the Group for the last five financial years, as extracted from current and previously issued audited financial statements, classified as appropriate, is set out on page 88. This summary does not form part of the audited financial statements.

Fixed assets

Details of movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

Share capital and share options

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 26 and 27 to the financial statements respectively.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's bye-laws, or the Companies Act 1981 of Bermuda (as amended), which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, redemption or sale of listed securities of the Company

During the year, the Company repurchased certain of its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and these shares were subsequently cancelled by the Company. The directors considered that the Company had surplus cash, sufficient for the capital expenditure, normal operations, business expansion and investment of the Group for the foreseeable future, and the repurchases would enhance shareholder value. Further details of these transactions are set out in note 26 to the financial statements.

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

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Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 28(b) to the financial statements and in the consolidated statement of changes in equity respectively.

Distributable reserves

As at 31 December 2003, the Company's reserves available for cash distribution and/or distribution in specie, after the proposed final dividend of HK\$49,281,000, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to HK\$53,893,000. In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus may be distributed under certain circumstances. In addition, the Company's share premium account, in the amount of HK\$26,219,000 as at 31 December 2003, may be distributed in the form of fully paid bonus shares.

Charitable contributions

During the year, the Group supported a wide variety of charities and activities beneficial to the community. Charitable contributions made by the Group during the year amounted to HK\$371,000 (2002: HK\$348,000).

Major customers

In the year under review, the aggregate income attributable to the Group's five largest customers was less than 30% of the total income for the year.

Directors

The directors of the Company during the year and up to the date of this report were as listed below. The directors' biographical information is set out on pages 12 to 15.

Executive directors:

YUEN Tin Fan, Francis	
CHAN Ping Kan, Raymond	(appointed on 4 March 2003)
ALLEN Peter Anthony	
ARENA Alexander Anthony	
BONNER John Todd	(resigned on 1 May 2003)
CHEUNG Sum, Sam	
CHUNG Cho Yee, Mico	
SO Wing Hung, Peter	
YANG Chao	
YANG Fan Shing, Andrew	(resigned on 9 June 2003)
ZHENG Chang Yong	

Non-executive director:

WANG Xianzhang

Independent non-executive directors:

CHANG Hsin Kang
 FRESHWATER Tim
 WONG Yue Chim, Richard

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Directors' service contracts

The Company has entered into service contracts with all the executive directors of the Company for the provision of management services to the Group, details of each of which are as follows:

- (1) Mr. CHAN Ping Kan, Raymond has entered into a service contract with the Group for a period commencing on 4 March 2003 and expiring on 31 March 2006.
- (2) Each of Mr. CHEUNG Sum, Sam and Mr. SO Wing Hung, Peter has entered into a service contract with the Group for an initial period commencing on 15 March 2002 and expiring on 31 March 2004. Both Messrs. CHEUNG Sum, Sam and SO Wing Hung, Peter have renewed their service contracts for a further three years commencing on 1 April 2004 and expiring on 31 March 2007.
- (3) The service contract for each of the other executive directors is indefinite.

The non-executive director was appointed for an initial term of three years with effect from 30 November 2000. The term was renewed for a further two years with effect from 30 November 2003.

The independent non-executive directors were appointed for an initial term of three years with effect from 8 June 1999. The term was renewed for a further two years with effect from 8 June 2002.

Apart from the foregoing, there are no unexpired service contracts which are not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' interests in contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries, holding companies and fellow subsidiaries was a party during the year.

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Directors' and chief executive's interests and short positions in shares and underlying shares

As at 31 December 2003, the directors and chief executive, or their associates, interests in the share capital and underlying shares of the Company or its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Notes	Number of shares held, capacity and nature of interest				Total	Percentage of the Company's issued share capital
		Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Held by a trust		
YUEN Tin Fan, Francis	(a)	—	—	—	2,704,800	2,704,800	0.33
SO Wing Hung, Peter	(b)	—	—	—	276,000	276,000	0.03
ALLEN Peter Anthony		360,000	—	—	—	360,000	0.04
		360,000	—	—	2,980,800	3,340,800	0.40

Notes:

(a) These shares are held under T.F.Yuen Trust, a discretionary trust of which Mr.YUEN Tin Fan, Francis is a founder.

(b) These shares are held by a trust, the beneficiaries of which are the family members of Mr.SO Wing Hung, Peter.

The interests of the directors and the chief executive in the share options of the Company are separately disclosed in note 27 to the financial statements.

Long positions in ordinary shares of the immediate holding company of the Company:

Pacific Century Regional Developments Limited ("PCRD")

Name of director	Number of shares held, capacity and nature of interest				Total	Percentage of the holding company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Held by a trust		
ALLEN Peter Anthony	5,010,000	—	—	—	5,010,000	0.16
CHUNG Cho Yee, Mico	8,000,000	—	—	—	8,000,000	0.26
	13,010,000	—	—	—	13,010,000	0.42

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Directors' and chief executive's interests and short positions in shares and underlying shares (continued)

Long positions in underlying shares of the immediate holding company of the Company:

As at 31 December 2003, details of share options granted to the directors under the share option schemes of the immediate holding company of the Company were as follows:

PCRD

Name of director	Date of grant of share options	Exercisable period	Exercise price SGD	Number of share options				
				Outstanding as at 1 January 2003	Granted during the year	Exercised during the year	Lapsed/cancelled during the year	Outstanding as at 31 December 2003
ARENA Alexander Anthony	24 November 1999	25 October 2001 to 24 October 2009	0.7584	15,300,000	—	—	—	15,300,000
BONNER John Todd ¹	24 November 1999	25 October 2001 to 24 October 2009	0.7584	5,000,000	—	—	(5,000,000)	—
				20,300,000	—	—	(5,000,000)	15,300,000

¹ Mr. BONNER John Todd resigned as a director of the Company effective 1 May 2003.

Save as disclosed above, none of the directors and/or the chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Directors' rights to acquire shares or debentures

Save as disclosed in the share option scheme disclosures in note 27 to the financial statements, at no time during the year were rights to acquire benefits by means of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Share option schemes

Concerning the share options granted during the year to the directors, employees and others, as detailed in note 27, the directors do not consider it appropriate to disclose a theoretical value of the options granted, because the directors are of the view that the theoretical value of the share options generally depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical bases and speculative assumptions. Accordingly, the directors believe that any calculation of the value of options will not be meaningful and may be misleading to shareholders in these circumstances.

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Directors' interests in competing businesses

Pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the following directors have declared interests in the following businesses which are considered to compete, or are likely to compete, either directly or indirectly, with the businesses of the Group during the year:

Name of director	Name of companies	Competing business	Nature of interest
YANG Chao (Note 1)	China Insurance (Holdings) Company, Limited	Insurance holding	As a director
	China Insurance International Holdings Company Limited	Insurance holding	As a director
	CIC Holdings (Europe) Limited	Insurance holding	As a director
	The Tai Ping Insurance Company, Limited	General insurance business	As a director
	The Tai Ping Life Insurance Company, Limited	Life insurance business	As a director
ZHENG Chang Yong (Note 2)	China Insurance (Holdings) Company, Limited	Insurance holding	As a director
	China America Holding Company	Insurance holding	As a director
	China Insurance International Holdings Company Limited	Insurance holding	As a director
	China Insurance Service Japan Co., Ltd.	Insurance agency	As a director
	China Insurance Co. (Singapore) Pte. Ltd.	General insurance business	As a director
	CIG Trustees Limited	Trustee corporate	As a director
	The Ming An Insurance Company (Hong Kong), Limited	General insurance business	As a director
	PT China Insurance Indonesia	General insurance business	As a director
WANG Xianzhang (Note 3)	China Life Insurance Company Limited	Life insurance	As a director

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Directors' interests in competing businesses (continued)

Notes:

(1) Mr. YANG Chao resigned as a director of the following companies:

Company	Resignation date
China Life Insurance (Overseas) Company Limited (formerly known as China Life Insurance Company, Limited)	23 December 2003
The Ming An Insurance Company (Hong Kong), Limited	13 May 2003
PT China Insurance Indonesia	27 June 2003

(2) Mr. ZHENG Chang Yong was appointed as a director of the following companies and resigned as a director of China Life Insurance (Overseas) Company Limited (formerly known as China Life Insurance Company, Limited) on 23 December 2003:

Company	Appointment date
China Insurance Service Japan Co., Ltd.	3 July 2003
China Insurance Co. (Singapore) Pte. Ltd.	1 January 2003
CIG Trustees Limited	1 January 2003
The Ming An Insurance Company (Hong Kong), Limited	13 May 2003

(3) Mr. WANG Xianzhang was appointed as a director of China Life Insurance Company Limited on 19 August 2003.

All of the above companies, except China Life Insurance (Overseas) Company Limited and China Life Insurance Company Limited, are within the China Insurance Group which holds an 11.7% interest in the Company as disclosed in the section headed "Substantial shareholders' and other persons' interests in shares and underlying shares" below.

As the board of directors of the Company is independent from the board of directors of the above-mentioned companies and the above directors do not control the board of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of the above-mentioned companies.

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Substantial shareholders' and other persons' interests in shares and underlying shares

As at 31 December 2003, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Notes	Number of ordinary shares held	Percentage of the Company's issued share capital
PCRD	(1)	370,352,700	45.09%
LI Tzar Kai, Richard	(1)	370,352,700	45.09%
Pacific Century Group Holdings Limited	(1)	370,352,700	45.09%
Pacific Century International Limited	(1)	370,352,700	45.09%
Pacific Century Group (Cayman Islands) Limited	(1)	370,352,700	45.09%
Anglang Investments Limited	(1)	370,352,700	45.09%
China Insurance (Holdings) Company, Limited	(2)	96,060,000	11.70%
King System Limited	(2)	49,907,200	6.08%
Joyful Box Inc.	(2)	46,152,800	5.62%
Manulife (International) Limited	(3)	54,719,000	6.66%
Andregina Holdings Limited	(4)	63,845,242	7.77%
YANG Fan Shing, Andrew	(4)	63,845,242	7.77%
Value Partners Limited	(5)	49,404,000	6.01%
CHEAH Cheng Hye	(5)	49,404,000	6.01%

Notes:

- (1) Each of Mr. LI Tzar Kai, Richard, Pacific Century Group Holdings Limited, Pacific Century International Limited, Pacific Century Group (Cayman Islands) Limited ("PCGCI") and Anglang Investments Limited ("Anglang") is taken to have an interest under the SFO in the same 370,352,700 shares held by PCRD. PCGCI holds the entire issued share capital of Anglang and holds approximately 37.5% of PCRD. Anglang holds approximately 37.8% of PCRD.
- (2) China Insurance (Holdings) Company, Limited is taken to have an interest under the SFO in the same 96,060,000 shares, in aggregate, beneficially owned by Joyful Box Inc. and King System Limited.
- (3) Manulife (International) Limited owns 54,719,000 shares directly.
- (4) Mr. YANG Fan Shing, Andrew is taken to have an interest under the SFO in the same 63,845,242 shares held by Andregina Holdings Limited.
- (5) Mr. CHEAH Cheng Hye is taken to have an interest under the SFO in the same 49,404,000 shares held by Value Partners Limited.

All the interests disclosed above represent long positions in the shares of the Company.

No share options of the Company were held by the above shareholders as at the balance sheet date.

Save as disclosed above, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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Code of Best Practice

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 to the Listing Rules, throughout the accounting period covered by the annual report.

Audit committee

The Company has an audit committee, which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises Messrs. Wong Yue Chim, Richard (Chairman), Chang Hsin Kang and Tim Freshwater, who are the independent non-executive directors of the Company.

Auditors

Ernst & Young retired and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

YUEN Tin Fan, Francis

Chairman

Hong Kong

23 February 2004