PACIFIC CENTURY INSURANCE HOLDINGS LIMITED

(盈科保險集團有限公司)*

(An investment holding company incorporated in Bermuda with limited liability)

(Stock Code: 65)

UNAUDITED QUARTERLY RESULTS
FOR THE THREE MONTHS ENDED 31 MARCH 2005

Financial Highlights

- On life insurance business, total annualized first year premium achieved a growth of 27.3% to HK$79.7 million, which was mainly driven by higher sales of investment linked products.

- As a result of the new accounting standard HKFRS 4 which re-defines insurance contracts, single and first year premium dropped 4.4% to HK$52.8 million.

- Renewal premium increased 6.0% to HK$350.2 million and total premium increased 4.5% to HK$403.0 million.

- Policy conservation rate and expense ratio continued to improve.

- Under the new accounting standard HKAS 39, the Group's investments, which were previously classified as "held for trading", had been reclassified as "available-for-sale". Investment income, net gains, and other income for the period was HK$140.2 million.

- The unaudited consolidated net profit attributable to shareholders for the three months ended 31 March 2005 was HK$50.2 million.

The directors of Pacific Century Insurance Holdings Limited (the "Company") are pleased to announce that the unaudited quarterly consolidated revenue and profit and loss accounts of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2005 were as follows:

CONSOLIDATED REVENUE AND PROFIT AND LOSS ACCOUNTS

		THREE MONTHS ENDED 31 MARCH	
		2005	**2004**
		HK$'000	*HK$'000* (Restated)
REVENUE			
Revenue from:			
Life insurance business			
Single premium		3,876	1,655
First year premium		48,930	53,554
Renewal premium		350,222	330,537
		403,028	385,746
Other businesses		5,891	3,211
Turnover	1	408,919	388,957
Investment income, net gains, and other income		140,158	178,721
Total revenue and gains, net		549,077	567,678
Less: Reinsurance premiums		(35,300)	(40,987)
Net revenue		513,777	526,691
OPERATING EXPENSES			
Policyholders' benefits		(136,245)	(125,676)
Agency commission and allowances		(69,259)	(67,648)
Change in deferred acquisition costs		(26,636)	(33,012)
Management expenses		(71,617)	(78,089)
Other operating expenses		(531)	(607)
Total operating expenses		(304,288)	(305,032)
Increase in future insurance liabilities		(143,530)	(109,448)
PROFIT FROM OPERATING ACTIVITIES		65,959	112,211
Finance costs		(11,556)	—
PROFIT BEFORE TAX		54,403	112,211
Tax		(4,226)	(3,170)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		50,177	109,041
EARNINGS PER SHARE**			
- Basic		6.11 cents	13.28 cents

Note:

1. **Turnover**

Revenue from:		
Life insurance business	403,028	385,746
General insurance business under agency agreements	1,712	1,388
Asset management business	4,179	1,823
Turnover	408,919	388,957

Impact of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively known as "HKFRS")

The following HKFRS are effective for the first time for the current period's financial statements and have had a significant impact thereon:

HKFRS 2 "Share-based Payment"
HKFRS 4 "Insurance Contracts"
HKAS 32 "Financial Instruments: Disclosure and Presentation"
HKAS 39 "Financial Instruments: Recognition and Measurement"

HKFRS 2 requires an expense to be recognised where the Group buys goods or services in exchange for shares or rights over shares ("equity-settled transactions"). The main impact of HKFRS 2 on the Group is the expensing of employees' and directors' share options by using an option-pricing model. The Group has taken advantage of the transitional provisions of HKFRS 2 in respect of share options and has applied HKFRS 2 only to share options granted after 7 November 2002 that had not vested on or before 31 December 2003.

The effect of the revised policy has decreased consolidated profits for the current period by HK$1,643,000 (2004: HK$1,243,000) due to an increase in the employee benefits expense.

The effect of the revised policy due to the adoption of HKFRS 2 on basic earnings per share has reduced the basic earnings per share by HK0.20 cent (2004: HK0.15 cent) to HK6.11 cents for the three months ended 31 March 2005.

HKFRS 4 prescribes the classification, accounting treatment, financial statement presentation and disclosures relating to insurance contracts.

In general, for insurance contracts and investment contracts with discretionary participation features ("DPF"), the accounting policy adopted is consistent with that of the previous financial year, including the recognition of premiums as income. The adoption of HKFRS 4 resulted in the reclassification of investment contracts without DPF, previously classified as insurance contracts, as investment contracts, to be accounted for under HKAS 39.

Insurance and investment contracts — Classification

The Group issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

A number of insurance and investment contracts contain DPF. This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;

- whose amount or timing is contractually at the discretion of the Group; and

- that are contractually based on:

    i. the performance of a specified pool of contracts or a specified type of contract;

    ii. realised and/or unrealised investment returns on a specified pool of assets held by the Group; or

    iii. the profit or loss of the Group, fund or other entity that issues the contract.

Under HKFRS 4, contracts that do not transfer significant insurance risk are classified as investment contracts. For investment contracts without DPF, receipts will not be booked as premiums and investment income, disbursements will not be booked as policyholders' benefits and increase in future insurance liabilities in the profit and loss account but will be booked directly into the balance sheet. This reclassification will not affect the profit or loss of the Group.

The effects of HKFRS 4 has reduced total premium by HK$30,344,000 (2004: HK$10,875,000), policyholders' benefits by HK$20,245,000 (2004: HK$8,423,000) and change of future insurance liabilities by HK$10,013,000 (2004: HK$6,948,000), and has increased investment and other income by HK$86,000 (2004: decrease of HK$4,496,000) for the current period.

HKAS 32 and 39 prescribe classification, accounting treatment, financial statement presentation and disclosures relating to financial instruments.

All investments are initially recognised at cost. After initial recognition, investments classified as "held for trading" and "available-for-sale" are measured at fair value. Gains or losses on investments held for trading are recognised as income. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

In accordance with the provisions of HKAS 39, the Group's investments, previously classified as "held for trading", have been redesignated as "available-for-sale".

The effect of the revised policy HKAS 39 has increased the current period's profit by HK$108,952,000.

Business Review

On life insurance business, new business as measured by annualized first year premium ("AFYP") increased 27.3% to HK$79.7 million compared to the same period in 2004. This is mainly driven by higher sales of investment linked products. Under the new accounting standard HKFRS 4 adopted in 2005, certain contracts which do not transfer significant insurance risk are classified as investment contracts. The premium and increase in future insurance liabilities of such contracts will not be accounted for in the profit and loss account. As a result, single and first year premium dropped 4.4% to HK$52.8 million compared with the same period last year. However, the reclassification of these contracts will not have an impact on the profit or loss of the Group. Renewal premium increased 6.0% to HK$350.2 million and total premium increased 4.5% to HK$403.0 million.

For the three months ended 31 March 2005, total operating expenses was HK$304.3 million, representing a small improvement of 0.2% over 2004. Expense ratio decreased to 104.5% from 119.9% in 2004. Policy conservation rate improved to 87.4% from 82.8% in 2004 and renewal ratio decreased to 96.6% from 100.1% in 2004. Claim ratio was 100.8%, which was slightly higher than our pricing assumptions of 100%, and higher than 83.7% in the same period last year. The average productivity per agent per month has increased over 23% to HK$21,100 compared to the same period last year.

In accordance with the adoption of HKAS 39, the Group's investments, which were previously classified as "held for trading", had been redesignated as "available-for-sale". As a result, the marked-to-market unrealised gains or losses will not be booked in the profit and loss account, but will be booked in the balance sheet. During the three months ended 31 March 2005, investment income, net gains, and other income was HK$140.2 million, representing a drop of 21.6% from the same period in 2004.

Profit attributable to shareholders for the period was HK$50.2 million, representing a drop of 54.0% from 2004.

The Board of Directors are pleased that the new life insurance business continued to achieve good growth, and policy conservation rate and expense ratio continued to show improvement. Although renewal ratio was slightly down and claim ratio slightly up from those of the previous year, the Board believes that this short term deterioration did not have a significant impact on the profitability of the Group. With interest rates continuing to be on an upward trend and equity markets range bound, the first three months in 2005 was a difficult period for investment. The Board will closely monitor the risk and return on the investment portfolio with a view to achieve our long term target return of 7% p.a. In China, the Group is making progress in its expansion plans and will inform shareholders when the plans are materialised.

By order of the Board
CHENG Wan Seung, Ella
Company Secretary

Hong Kong, 10 May 2005

* *For identification purpose only*

** *Diluted earnings per share for the three months ended 31 March 2005 has not been disclosed as the dilutive effect arising from the deemed exercise of the share options outstanding during the three months ended 31 March 2005 was insignificant.*

The directors of the Company as at the date of this announcement are as follows:

Executive Directors:

YUEN Tin Fan, Francis (Chairman); CHAN Ping Kan, Raymond (Managing Director); SO Wing Hung, Peter (Chief Operating Officer); CHEUNG Sum, Sam (Chief Financial Officer); Peter Anthony ALLEN; Alexander Anthony ARENA; CHUNG Cho Yee, Mico; YANG Chao; ZHENG Chang Yong

Non-Executive Director:

WANG Xianzhang

Independent Non-Executive Directors:

Prof. CHANG Hsin Kang; Tim FRESHWATER; Prof. WONG Yue Chim, Richard

Please also refer to the published version of this announcement in The Standard.