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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)

**DISCLOSEABLE TRANSACTION —
Subscription of an Exchangeable Note**

On 3rd June, 2005, Praise Idea, Noblenew and CTF entered into the Subscription Agreement whereby Noblenew agreed to subscribe for and Praise Idea agreed to issue the Note in the principal amount of HK\$508,302,000. CTF has also agreed under the Deed to indemnify Noblenew for, among other things, certain acts and omissions of Wuxin and Fengli and their existing shareholders and for all liabilities of Wuxin and Fengli prior to completion.

Completion of the Subscription Agreement took place on 3rd June, 2005 and the Note has been issued. If Noblenew were to exercise in full its exchange rights under the Note, Noblenew would be entitled to control the entire registered capital of Wuxin and Fengli, which in turn hold 13.25% and 8.84% of the issued share capital of Sinolife, respectively.

Because of the controls on foreign ownership of insurance business currently existing under PRC law, there can be no certainty as to if and when the Company will be able to exercise its exchange rights or exercise any rights of control over Wuxin and Fengli. However, the Subscription Agreement provides for the Note to be redeemed in full in the event that the Company's nominees are not appointed to the board of directors of Sinolife by 3rd October, 2005. If the appointments do not take effect by that date, Noblenew is entitled to a refund of the subscription moneys (with interest calculated as described in the paragraph headed "Events of Default" below) against surrender of the Note to Praise Idea.

The Company believes that the investment in the Note provides an opportunity for the Company to participate indirectly in the anticipated rapidly expanding life insurance business in the PRC in future, within the present regulatory framework in the PRC.

The Subscription Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules on the basis that the assets and consideration test set out in Rule 14.07 of the Listing Rules are more than 5% but less than 25%. A circular containing details of the Subscription Agreement will be despatched to shareholders as soon as possible.

THE SUBSCRIPTION AGREEMENT

On 3rd June, 2005, the Company entered into the Subscription Agreement, brief particulars of which are set out below.

Date:	3rd June, 2005
Parties to the Subscription Agreement:	Noblenew, a wholly-owned subsidiary of the Company, as subscriber Praise Idea as issuer of the Note CTF as warrantor (jointly and severally with Praise Idea)
Consideration:	HK\$508,302,000, payable in cash. The consideration was based on arm's-length negotiations between Praise Idea and Noblenew, based on the expected future benefit of the Company's investment in the Note, which provides a potential opportunity for the Company to participate in the life insurance business in the PRC. Please refer to the section headed "Reasons for and benefits of this transaction" in this announcement. The consideration was funded from internal resources.
Terms:	Praise Idea agreed to issue and Noblenew agreed to subscribe for the Note. The Subscription Agreement provides among other things that nominees of Noblenew will be appointed to the board of directors of Wuxin, Fengli and Sinolife to replace all of the existing directors of Wuxin and Fengli as well as three directors on Sinolife's board, and that all supervisors of Wuxin and Fengli, one supervisor and the company secretary of Sinolife will be replaced by nominees of Noblenew. Sinolife has a total of 17 directors and 7 supervisors.
Completion:	Completion of the Subscription Agreement took place on 3rd June, 2005 and the Note has been issued. The subscription moneys for the Note will be held in a special account until the appointments of the Sinolife directors nominated by Noblenew take effect under PRC laws. If the appointments do not take effect on or before 3rd October, 2005, the moneys will be refunded to Noblenew (with interest calculated as described in the paragraph headed "Events of Default" below) against surrender of the Note for cancellation.

CTF has agreed under the Deed to indemnify Noblenew for, among other things, certain acts and omissions of Wuxin and Fengli and their existing shareholders and for all liabilities of Wuxin and Fengli prior to the completion of the Subscription Agreement.

SUMMARY OF THE TERMS OF THE NOTE

Issuer: Praise Idea

Noteholder: Noblenew

Principal amount: HK\$508,302,000

Maturity Date: 2nd June, 2085

Interest: The Note is non-interest bearing (other than as mentioned below). In addition to the interest payable on the occurrence of the event of default referred to below, interest accrues on the principal amount of the Note at 6% per annum from the 31st day from (and including) the date of issue of the Note to (and excluding) the date on which the Noteholder receives certain specified documents which relate to the resignation and appointment of directors, supervisors and company secretary referred to above.

Event of Default: The principal amount of the Note will be repayable with interest at the rate of 6% per annum for the period commencing on the 61st day from (and including) the date of issue of the Note to (and excluding) the date of payment, if by 3rd October, 2005 three persons nominated by Noblenew have not become directors of Sinolife, or such appointments have not been approved by China Insurance Regulatory Commission or their names have not been entered in the register maintained by the State Administration of Industry and Commerce or its local delegation having competent jurisdiction over Sinolife.

Exchange Rights: The Noteholder has the right at any time on or after the date of the issue of the Note and prior to the close of the business on the fifth business day immediately preceding the Maturity Date to exercise its exchange rights to require Praise Idea to procure the transfer of the entire registered share capital of Wuxin and Fengli to the Noteholder or its nominee.

On exercise of Exchange Rights, the Company will comply with the Listing Rules then applicable.

In the event that the exchange rights under the Note are not exercised by Noblenew before the maturity date of the Note, Praise Idea agrees to issue (and CTF agrees to procure that Praise Idea issues) and Noblenew agrees to subscribe for a new note on the same terms as the Note, save for that maturity date shall be 80 years from the date of the new note, or such other date as the parties may agree. A further announcement will be made in accordance with the Listing Rules then applicable if a new note is issued.

It should be noted that because of the controls on foreign ownership of insurance business currently existing under PRC law, there can be no certainty as to if and when the Company

will be able to exercise its exchange rights or exercise any rights of control over Wuxin and Fengli. Praise Idea provided an undertaking to Noblenew that it would use its best endeavours to procure the appointment of nominees of Noblenew to be directors of Wuxin and Fengli by 3rd August, 2005 or the latest by 3rd October, 2005. The accounting treatment of the Note will be dealt with in the Circular.

Wuxin, Fengli and Sinolife

Based on the information provided to the Company: -

Wuxin is a company incorporated in the PRC with registered capital of RMB350,000,000. The principal activity of Wuxin is investment holding. Wuxin holds 180,000,000 shares in Sinolife, representing approximately 13.25% of the issued share capital of Sinolife as at the date of this announcement.

Fengli is a company incorporated in the PRC with registered capital of RMB1,500,000,000. The principal activity of Fengli is investment holding. Fengli holds 120,000,000 shares in Sinolife, representing approximately 8.84% of the issued share capital of Sinolife as at the date of this announcement.

Sinolife is a company incorporated in the PRC in 2002 and, is principally engaged in the provision of individual and group life insurance in the PRC. For the year ended 31st December, 2004, the net losses before and after taxation and extraordinary items of Sinolife was RMB126,769,103 (2003: loss of RMB965,278) and RMB26,351,852 (2003: loss of RMB1,714,097) respectively. As at 31st December, 2004, the net asset value of Sinolife was RMB 1,950,504,241. Sinolife had branches in Shanghai, Beijing, Nanjing, Hangzhou, Chengdu, Wuhan, Shenyang and Dalian as at 31st December, 2004 and plans to open more branches in 2005 and beyond.

(1) Wuxin, (2) Fengli and (3) Sinolife and its shareholders (other than Wuxin and Fengli) are not Connected Persons of the Company.

REASONS FOR AND THE BENEFITS OF THE TRANSACTION

The Company believes that the investment in the Note provides an opportunity for the Company to participate indirectly in the anticipated rapidly expanding life insurance business in the PRC in future, in view of the present regulatory framework in the PRC. The Subscription Agreement provides that representatives of the Company will be appointed to the board of Wuxin, Fengli and Sinolife. The Note provides the flexibility for the Company to exercise a degree of influence over Wuxin and Fengli which in turn will give it indirect influence over approximately 22.09% of the issued share capital of Sinolife. The Directors believe that Sinolife has a strong asset base and has set up a good platform which can expand its life insurance business rapidly in the PRC. Accordingly, the Directors believe that the terms of the transaction are fair and reasonable and in the interests of the shareholders of the Company as a whole.

GENERAL INFORMATION

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, CTF and Praise Idea and their ultimate beneficial owners are not Connected Persons of the Company, they are third parties independent of the Company and Connected Persons of the Company.

CTF is principally engaged in investment holding business. Praise Idea is a company incorporated in the British Virgin Islands. The principal activity of Praise Idea is investment holding. Praise Idea and CTF have no shareholding relationship.

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.

The Subscription Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules on the basis that the assets and consideration test set out in Rule 14.07 of the Listing Rules are more than 5% but less than 25%. A circular containing details of the Subscription Agreement will be despatched to shareholders as soon as possible.

Definitions

The following terms are used in this announcement with the meanings set opposite them:-

“CTF”	Chow Tai Fook Enterprises Limited;
“Company”	Pacific Century Insurance Holdings Limited, a company incorporated in Bermuda, whose shares are listed on the Stock Exchange;
“Connected Person(s)”	the meaning ascribed thereto in the Listing Rules;
“Deed”	a deed of indemnity dated 3rd June, 2005 executed by CTF in favour of Subscriber;
“Directors”	the directors of the Company;
“Fengli”	北京豐利投資有限公司 (Beijing Fengli Investment Co., Ltd.), a company incorporated in the PRC;
“Group”	the Company and its subsidiaries;
“Praise Idea”	Praise Idea Holdings Limited, a company incorporated in the British Virgin Islands;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Noblenew”	Noblenew Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company;
“Note”	the exchangeable note due 2085 in the aggregate principal amount of HK\$508,302,000 issued by Praise Idea upon and subject to the terms of the Subscription Agreement, details of which are set out in the section headed “Summary of the Terms of the Note” above;
“PRC”	the People’s Republic of China;
“Sinolife”	生命人壽保險股份有限公司 (Sino Life Insurance Co., Ltd.), a company incorporated in the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Agreement”	the agreement dated 3rd June, 2005 entered into between Praise Idea, Noblenew and CTF in relation inter alia to the subscription of the Note;
“Wuxin”	武漢武新工業有限公司 (Wuhan Wuxin Industrial Co., Ltd.), a company incorporated in the PRC;
“HK\$”	Hong Kong dollars, the legal currency of Hong Kong; and
“RMB”	Renminbi, the legal currency of the PRC.

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

Hong Kong, 3rd June, 2005

** For identification only*

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; Timothy George FRESHWATER; Prof. WONG Yue Chim, Richard

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