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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

Financial Highlights

- Individual annualised first year premium increased 47% to HK$180.3 million.
- As a result of adoption of HKFRS 4 since 1 January 2005, single and first year premium increased 10.3% to HK$120.6 million, renewal premium increased 5.1% to HK$718.4 million, and total premium increased 5.8% to HK$839.0 million.
- Key performance indicators continue to improve.
- Unaudited consolidated net profit: HK$71.3 million (2004: net loss of HK$120.8 million).
- Interim dividend: HK 1 cent per share (2004: nil).

The board of directors (the "Board") of Pacific Century Insurance Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 together with comparative figures for the corresponding period in 2004 as follows:-

CONDENSED CONSOLIDATED REVENUE AND PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Notes	**Unaudited six months ended 30/6/2005** *HK$'000*	**30/6/2004** *HK$'000* (Restated)
CONTINUING OPERATIONS			
REVENUE			
Turnover	2	854,160	804,243
Investment income, net gains/(losses), and other income		228,676	(873)
Total revenue and gains, net		1,082,836	803,370
Less: Reinsurance premiums		(68,378)	(77,286)
Net revenue		1,014,458	726,084
OPERATING EXPENSES			
Policyholders' benefits		(281,126)	(274,894)
Agency commission and allowances		(157,628)	(135,490)
Change in deferred acquisition costs		(28,103)	(59,511)
Management expenses		(147,206)	(137,240)
Other operating expenses		(123)	(1,131)
Total operating expenses		(614,186)	(608,266)
Increase in future insurance liabilities		(296,931)	(231,711)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	3	103,341	(113,893)
Net Finance costs	4	(23,169)	—
PROFIT/(LOSS) BEFORE TAX	5	80,172	(113,893)
Tax	6	(9,216)	(7,046)
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS		70,956	(120,939)
DISCONTINUED OPERATION			
NET PROFIT FROM DISCONTINUED OPERATION		307	128
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		71,263	(120,811)
INTERIM DIVIDEND	7	8,213	—
EARNINGS/(LOSS) PER SHARE	8		
— BASIC FOR NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		8.68 cents	(14.71 cents)
— BASIC FOR NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS		8.64 cents	(14.72 cents)
— DILUTED FOR NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		8.55 cents	(14.41 cents)
— DILUTED FOR NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS		8.51 cents	(14.43 cents)

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2005

	Unaudited 30/6/2005 *HK$'000*	Audited 31/12/2004 *HK$'000* (Restated)
NON-CURRENT ASSETS		
Fixed assets	216,188	215,885
Investments	645,332	137,105
Loans	267,265	257,117
Real estate	15,319	15,319
Deferred acquisition costs	998,894	1,023,228
	2,142,998	1,648,654
CURRENT ASSETS		
Deferred acquisition costs	282,399	286,168
Premiums receivable	46,185	74,048
Prepayments and other debtors	172,601	132,171
Short term investments	—	5,782,493
Available-for-sale investments	5,269,726	—
Derivative financial instrument	906	—
Cash and cash equivalents	1,513,333	1,301,545
	7,285,150	7,576,425
Non-current assets classified as held for sale	59,404	—
	7,344,554	7,576,425
CURRENT LIABILITIES		
Claims payable	(76,966)	(73,973)
Premium deposits	(90,482)	(88,356)
Accrued expenses and other creditors	(190,756)	(246,486)
Tax payable	(13,633)	(4,800)
Due to related companies	(5,606)	(5,901)
	(377,443)	(419,516)
NET CURRENT ASSETS	6,907,707	7,156,909
TOTAL ASSETS LESS CURRENT LIABILITIES	9,110,109	8,805,563
NON-CURRENT LIABILITIES		
Interest-bearing loans	(768,889)	(768,991)
Future insurance liabilities under investment contracts	(491,121)	(482,225)
Future insurance liabilities under insurance contracts	(4,700,602)	(4,405,391)
Policyholders' dividends and bonuses	(716,066)	(668,302)
	(6,676,678)	(6,324,909)
Liabilities directly associated with non-current assets classified as held for sale	(22,214)	—
	(6,698,892)	(6,324,909)
	2,411,217	2,480,654
CAPITAL AND RESERVES		
Issued capital	821,348	820,938
Reserves	1,581,656	1,577,622
Proposed dividend	8,213	82,094
	2,411,217	2,480,654

NOTES

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of preparation

The unaudited condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

The accounting policies adopted are consistent with those set out in the Group's annual financial statements for the year ended 31 December 2004, except for the changes in accounting policies following the adoption on 1 January 2005 of the new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKFRSs") as set out below.

Premiums of group insurance contracts

To 31 December 2004

Premiums in respect of group policies are accounted for as they are received.

From 1 January 2005

Premiums in respect of group policies are recognised as income as and when they fall due.

Insurance Contract

From 1 January 2005

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 turnover. The adoption of HKFRS 4, Insurance Contracts, resulted in the reclassification of investment contracts without DPF, previously classified as insurance contracts, as investment contracts, to be accounted for under the provisions of HKAS 39, Financial Instruments: Recognition and Measurement.

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 are not booked as premiums and investment income, disbursements are not booked as policyholders' benefits and increase in future insurance liabilities in the profit and loss account but are booked directly into the balance sheet. This reclassification does not affect the profit or loss of the Group.

The effects of the adoption of HKFRS 4 has reduced total premium by HK$58,242,000 (2004: HK$22,915,000), policyholders' benefits by HK$30,169,000 (2004: HK$18,580,000), change of future insurance liabilities by HK$31,429,000 (2004: increase of HK$195,000), and investment and other income by HK$3,356,000 (2004: increase of HK$4,530,000) for the current period.

Share Option Scheme

To 31 December 2004

The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no change is recorded in the revenue and profit and loss account or balance sheet for their cost.

From 1 January 2005

The Group recognises an expense of the employees' and directors' share options by using an option-pricing model. The Group has taken advantage of the transitional provisions of HKFRS 2, Share Based Payment, 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 1 January 2005.

The effect of the revised policy has decreased consolidated profits for the current period by HK$3,731,000 (2004: HK$2,485,000) and opening accumulated profits for the current period have been decreased by HK$4,970,000 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 HK0.45 cent (2004: HK0.30 cent) to HK8.68 cents and has reduced the diluted earnings per share by HK0.45 cent (2004: HK0.30 cent) to HK8.55 cents for the six months ended 30 June 2005.

Investments

To 31 December 2004

Investments in bonds purchased for trading purposes, equities, unit trusts and mutual funds, are stated at market or fair value. Any realised or unrealised gains or losses arising from changes in the fair values are dealt with in the revenue and profit and loss account for the period in which they arise.

From 1 January 2005

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 which amounted to HK$5,269,726,000 as at 30 June 2005.

The Group has invested in an exchangeable note, the component parts of which are an investment element and an option to convert the shares in the future. The basic note will be held as an available-for-sale investment and the option will be held as a derivative.

The effect of the revised policy HKAS 39 has increased the current period's profit by HK$62,947,000.

Derivative financial instruments and hedging

To 31 December 2004

The Group uses derivative financial instruments such as foreign currency forward contracts, treasury lock agreements and cross currency swap to hedge risks associated primarily with foreign currency, interest rate and market fluctuations.

Derivative financial instruments are valued at fair value. Any gain or loss is recognised in the revenue and profit and loss account.

From 1 January 2005

Derivatives are recognised initially, and are subsequently remeasured, at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its derivative as hedge of highly probable forecast transactions (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedge items, as well as its risk management objective and strategy for undertaking hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

(a) **Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement, When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(b) **Derivatives that do not qualify for hedge accounting**

Certain derivative instruments do not qualify for hedge accounting. Such derivatives are classified as fair value through profit or loss, and changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

2. TURNOVER

Turnover represents gross insurance premiums written and commissions received and receivable in respect of general insurance business conducted under agency agreements, and service fees from asset management.

Revenue from the following activities has been included in turnover.

	Unaudited six months ended	
	30/6/2005	**30/6/2004**
	HK$'000	*HK$'000*
		(Restated)
Revenue from:		
Life insurance contracts		
Single premium	11,489	3,107
First year premium	109,156	106,300
Renewal premium	718,381	683,554
	839,026	792,961
General insurance commissions under agency agreements	5,597	5,908
Asset management fees	8,343	4,493
Fees on investment contracts	1,194	881
Turnover	854,160	804,243

The Group's income all arises from its activities conducted in Hong Kong.

3. PROFIT/(LOSS) FROM CONTINUING OPERATIONS

Profit/(loss) from continuing operations is arrived at after charging/(crediting):

	Unaudited six months ended	
	30/6/2005	**30/6/2004**
	HK$'000	*HK$'000*
		(Restated)
Depreciation	7,533	7,603
Amortisation of deferred acquisition costs	143,051	152,390
Gain on disposal of fixed assets	(91)	(325)

4. NET FINANCE COSTS

	Unaudited six months ended	
	30/6/2005	**30/6/2004**
	HK$'000	*HK$'000*
		(Restated)
Finance cost		
Interest on interest-bearing loans	(23,285)	—
Finance income		
Net interest income on derivative financial instrument *(note (i))*	116	—
	(23,169)	—

note:

(i) The Group has entered into a cross currency swap contract, effective from 17 June 2005, as a cashflow hedge, to eliminate any foreign currency fluctuations during the term of the interest-bearing loan denominated in USD.

5. PROFIT/(LOSS) BEFORE TAX BY ACTIVITY

Pursuant to the requirements of the Listing Rules, the profit/(loss) before tax is analysed by activity as follows:

	Unaudited six months ended	
	30/6/2005	**30/6/2004**
	HK$'000	*HK$'000*
		(Restated)
Life insurance contracts	78,131	(114,005)
Retirement scheme business	(881)	(1,390)
General insurance business under agency agreements	2,652	2,801
Asset management business *(note (i))*	(924)	(2,180)
Fees on investment contracts	1,194	881
Profit/(loss) before tax	80,172	(113,893)

note:

(i) Income from operation: Asset management	24,795	15,692
Less: Intra-Group income	(16,452)	(11,199)
	8,343	4,493
Operating expenses before tax	(9,267)	(6,673)
	(924)	(2,180)

The Group's profit/(loss) before tax arises mainly from its direct underwriting activities conducted in Hong Kong.

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits solely arising from the asset management business conducted in Hong Kong during the period.

The assessable profits of a wholly-owned subsidiary, which is engaged in the long term insurance business and retirement scheme management, are computed in accordance with the special provisions of the Hong Kong Inland Revenue Ordinance. Tax for the long term insurance business, as defined by the Inland Revenue Ordinance, is computed at 17.5% of 5% of net premium (gross premium received less reinsurance premium ceded) from the life insurance business in accordance with Section 23(1)(a) of the Inland Revenue Ordinance rather than on taxable profits.

7. DIVIDEND

	Unaudited six months ended	
	30/6/2005	**30/6/2004**
	HK$'000	*HK$'000*
Interim — HK$0.01 (2004: nil) per share	8,213	—

The Board has declared an interim dividend for the six months ended 30 June 2005 of HK$0.01 per share (2004: nil). The dividend will be payable on or about Friday, 30 September 2005 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 23 September 2005.

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK$71,263,000 (June 2004: net loss of HK$120,811,000), net profit attributable to shareholders from continuing operations for the period of HK$70,956,000 (June 2004: net loss of HK$120,939,000) and the weighted average of 821,383,000 (June 2004: 821,369,000 shares) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the current period is based on the net profit attributable to shareholders for the period of HK$71,263,000 (June 2004: net loss of HK$120,811,000) and net profit attributable to shareholders from continuing operations for the period of HK$70,956,000 (June 2004: net loss of HK$120,939,000). The weighted average number of ordinary shares used in the calculation is 821,383,000 (June 2004: 821,369,000 shares) ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 12,550,000 (June 2004: 16,749,000 shares) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

OPERATIONAL REVIEW

The Group continues to maintain growth momentum and achieved 47% increase in annualised first year premium on individual new business to HK$180.3 million for the period under review. As a result of adoption of HKFRS 4 since 1 January 2005, the effect of which is summarised in Note 1 to the condensed consolidated financial statements, single and first year premium increased 10.3% to HK$120.6 million, renewal premium increased 5.1% to HK$718.4 million and total premium increased by 5.8% to HK$839.0 million.

Investment income, net gains, and other income were HK$228.7 million as compared to a net loss of HK$0.9 million for the same period last year. Annualised yield on the general and shareholders' funds was 5.7% for the six months ended 30 June 2005.

Management expenses increased 7.3% to HK$147.2 million, mainly due to higher rental and agency related costs as a result of expansion. Expense ratio increased slightly to 112.2% from 110.1% for the same period last year. However, total operating expenses only increased 1.0% to HK$614.2 million.

New policy conservation rate improved from 85.2% to 88.3% and renewal ratio improved from 98.4% to 98.8%. Claim ratio went up to 99.6% from 93.6% but was still below our pricing assumption.

The consolidated net profit of the Group for the six months ended 30 June 2005 was HK$71.3 million as compared to net loss of HK$120.8 million for the same period last year. The Board has declared an interim dividend for the six months ended 30 June 2005 of HK$0.01 per share (2004: nil).

SEGMENTAL INFORMATION

The Group operates in one reportable business segment, being the provision of life insurance and related financial services, and in one reportable geographical segment, being in Hong Kong.

AGENCY OPERATION

The number of agents as at 30 June 2005 increased to 1,404 from 1,268 as at end of 2004, representing a net increase of 10.7%. Individual annualised first year premium for the first six months of 2005 was HK$180.3 million, an increase of 47.0% over the same period of 2004. The agency force has been stabilised for the period under review with an annualised agent turnover rate of 37%. Agent productivity in terms of annualised first year premium per agent was HK$23,300 per month, an increase of 36.3% as compared to same period last year.

Looking ahead, we will continue to expand our agency force, recruit more new and experienced agents, and provide superior service and training programmes to our agents to improve productivity.

LIFE OPERATIONS

As at 30 June 2005, the total number of inforce policies was 281,386 compared to 277,489 at end of 2004. During the first six months of 2005, 16,899 new policies were sold as compared to 14,866 for the same period of 2004. Single and first year premium of Individual Business increased 9.6% to HK$117.2 million, renewal premium increased 6.7% to HK$697.9 million and total premium increased 7.1% to HK$815.2 million. New policy conservation rate improved from 85.2% to 88.3% and renewal ratio improved from 98.4% to 98.8%.

We introduced three new products in the first half of 2005, which have been well received by our customers. The following is a brief description of the products launched: -

(i) Easy Life Saving Plan — this is a single premium whole life plan with guaranteed cash values;

(ii) Wealth Smart Plan — this is a regular premium non-participating unit-linked product designed to meet medium to long term saving needs of policyholders.

(iii) Compass Target Saving Plan — this is an extension of current products to a 12-year payment term. It is a participating whole life product that offers high investment return with guaranteed cash value and guaranteed periodic cash bonus. It is designed to meet long term protection and savings needs.

A project was launched in the first half of 2005 to revamp our computer system to provide effective and efficient service to our policyholders. It is expected that the whole project will be completed in the next three years.

GROUP INSURANCE

Total premium generated for the six months ended 30 June 2005 was HK$23.9 million, a decrease of 25.5% over the same period last year.

In April 2005, we successfully implemented an internet enquiry service to provide policy benefits, billing and claim information to agents and clients.

We continue to promote our products and provide training programmes to equip our agents with updated knowledge to facilitate them in generating new business.

MANDATORY PROVIDENT FUND

As at 30 June 2005, there were 1,912 members with funds of HK$21.4 million remaining to be transferred to HSBC Life (International) Limited ("HSBC Life"). We are working with HSBC Life in transferring these remaining members and assets and it is expected that the whole process will be completed within this year.

GENERAL INSURANCE

The General Insurance Division continued to act as an Underwriting Agent for Ming An Insurance Company (Hong Kong), Limited and General Agent for Asia Insurance Co. Ltd. The brokerage arm has been operating for over 1 year and has generated satisfactory results. For the six months under review, the Division received a total brokerage commission of HK$5.6 million, representing a decrease of 5.3% compared to the same period last year.

We continue to revamp our training courses to improve the technical knowledge of our agents and to better assist them in selling General Insurance products.

PCI INVESTMENT MANAGEMENT LIMITED (PCIIM)

The first half of 2005 was an extremely difficult and volatile period for investment. While short term interest rate in the US rose gradually from 2.25% to 3.25% over the period, the benchmark 10-year treasury yield shot up sharply in March before easing back in the second quarter. In addition, credit spread widened dramatically when the news of auto sector rating downgrade broke out. Global stock markets also experienced significant swings but closed virtually unchanged in US dollar terms for the first six months of 2005.

Recent data showed that the global economy is still in relatively good shape amid rising interest rates and high oil prices. Inflation so far has been well contained. Many corporates are expected to continue to achieve earnings growth.

Our investment focus in the second half will still be Asian markets as we believe improving domestic economies, strong liquidity flow and currency appreciation potential will continue to underpin these markets. We will closely monitor our portfolio mix with a view to achieving our target return of 7% per annum in the medium to long term.

As of the end of June 2005, there were a total of HK$11.7 billion funds under management, representing an increase of 3.5% from the end of last year, or 23.2% over the last 12 months.

In April 2004, we launched Eastern Explorer, a multi-strategy alternative investment fund with a focus on Asian financial markets. The fund has performed well and has achieved consistent positive returns since launch. The satisfactory performance of this fund has attracted a lot of interest and enquiries from local and overseas investors.

CHINA INVESTMENT

In June this year, the Group subscribed for an Exchangeable Note for HK$508.3 million. The Note gives the Group the right to exchange into the entire issued share capital of two PRC companies which together hold a 22.09% interest in Sino Life Insurance Co., Ltd. ("Sino Life"). In the event that 3 representatives from the Group are not appointed to the board of Sino Life by 3 October 2005, the Note will be cancelled and the Group will receive back the principal plus 2 months of interest. The appointment of our representatives to the board of Sino Life is now pending for approval by the China Insurance Regulatory Commission. Because of the controls on foreign ownership of insurance business currently existing under the PRC law, there is no certainty as to if and when the Group will be able to exercise its exchange right.

Sino Life is a company incorporated in the PRC in 2002 and is principally engaged in the provision of individual and group life business in the PRC. Sino Life already had branches in Shanghai, Beijing, Nanjing, Hangzhou, Chengdu, Wuhan, Shenyang and Dailan as at the end of last year and plans to open more branches in 2005 and beyond.

The Group believes that Sino Life has a strong capital base and has set up a good platform which can expand its life insurance business rapidly in the PRC. This investment provides a good opportunity for the Group to participate indirectly in the anticipated rapidly expanding market in the PRC, which we expect to generate a good return to the Group in the long term.

HUMAN RESOURCES

High quality employees are one of the most valuable assets in the financial services industry. Staff training and development will continue to take precedence as one of the management objectives.

The Group had 294 employees as at 30 June 2005, an increase of 2.1% over the 288 at end of 2004. Total remuneration (excluding directors' fees) for the first six months of 2005 was HK$61.5 million, as compared to HK$60.9 million for the same period last year. The Group ensures that the pay levels of its employees are competitive and rewarded on a performance related basis.

We place a high value on our employees and encourage them to enhance their knowledge in job related fields and management skills for their personal career developments.

CAPITAL ADEQUACY AND FINANCING

The Group's capital and reserve substantially exceeded the solvency margin requirements of the local regulatory authority. Net cash generated from the Group's operating activities including investment amounted to HK$257.9 million for the period under review.

As at 30 June 2005, the gearing ratio of the Group was 31.9%.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group sold life insurance policies in US$ or HK$ and its liabilities were all denominated in these currencies. As at 30 June 2005, majority of the Group's assets are denominated in either US$ or HK$ with the exception of HK$630.0 million equivalent held in Asian equities and Asian currencies. As the surplus of the Group far exceeded the amount of foreign currency assets held, hedging of foreign currencies were deemed unnecessary.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 20 September 2005 to Friday, 23 September 2005, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend mentioned above, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 16 September 2005.

DETAILS OF CHARGES ON GROUP ASSETS

As at 30 June 2005, there were no charges on any of the Group's assets.

CHANGES IN THE COMPOSITION OF THE ENTERPRISE DURING THE INTERIM PERIOD

During the first six months of the year, there was no change in the composition of the Group. The Group is principally engaged in the provision of an extensive range of whole life, endowment and term life insurance products to individuals in Hong Kong. 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, group retirement scheme management and general insurance products through agency arrangements. In addition, the Group also engages in asset management business.

SEASONALITY/CYCLICALITY OF INTERIM OPERATIONS

Business is usually slower at the beginning of the year when both the calendar and Chinese New Year holidays shortens the market calendar. With the improved economy in Hong Kong and strong growth of the life insurance industry, we expect our business will grow steadily in the second half of the year.

CORPORATE CITIZENSHIP

We are committed to giving back to the community. We would continue to execute our duties as a responsible corporate citizen by carrying out different volunteering activities.

FUTURE PLANS

We believe that the demand for insurance protection in Hong Kong will continue to grow, in particular, the Hong Kong Government is now advancing its health care reform plan and has released a consultation paper on "Building a Healthy Tomorrow".

We will continue to expand our strong base in Hong Kong by recruiting more high calibre professional agents to serve our customers by "Taking An Extra Step", developing more new products to suit different needs of our customers and setting up new channels to expand our business scope.

In addition, we will continue to devote our resources and effort to develop our business in China.

CORPORATE GOVERNANCE

The Company is committed in maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole.

The Board is of the view that during the six months ended 30 June 2005, the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

The unaudited interim results for the six months ended 30 June 2005 have been reviewed by the Audit Committee which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

A total of 970,000 ordinary shares of HK$1.00 each were repurchased by the Company during the period at prices ranging from HK$2.975 to HK$3.125 per share. The aggregate price paid by the Company for such repurchases, before share repurchase expenses, was HK$2,995,450.

The repurchased shares were cancelled and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares and related expenses, in the amount of HK$2,039,000, was charged to the share premium account.

The repurchase of the Company's shares during the six months ended 30 June 2005 were effected by the directors pursuant to the mandate from shareholders received at the previous annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

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 six months ended 30 June 2005.

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

Hong Kong, 8 August 2005

** For identification purpose only*

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; FENG Xiaozeng; 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.