



## **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 2006**

#### **FINANCIAL HIGHLIGHTS**

- Solid growth, better than expected investment return, claim experience and persistency.
- Individual annualised first year premium increased by 49% to HK\$76.1 million.
- Unaudited consolidated net profit: HK\$102.5 million (2005: net loss of HK\$10.9 million).
- Available-for-sale financial assets revaluation reserve was HK\$210.5 million as at 31 March 2006 as compared to HK\$187.5 million as at 31 December 2005.

The directors of Pacific Century Insurance Holdings Limited (the “Company”) are pleased to present the unaudited quarterly consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2006 together with comparative figures for the corresponding period in 2005, as restated in the announcement on 24 January 2006, were as follows:

## CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	
		<b>three months ended</b>	
		<b>31/3/2006</b>	<b>31/3/2005</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>			
Turnover	1	450,437	408,996
Investment income, net gains, and other income		<u>258,187</u>	<u>78,935</u>
Total revenue and gains, net		708,624	487,931
Less: Reinsurance premiums		<u>(34,240)</u>	<u>(35,300)</u>
Net revenue		<u>674,384</u>	<u>452,631</u>
Policyholders' benefits under insurance contracts		(153,417)	(133,463)
Policyholders' benefits under investment contracts		(26,852)	(2,782)
Agency commission and allowances		(96,596)	(69,259)
Change in deferred acquisition costs		8,985	(26,636)
Management expenses		(107,535)	(72,148)
Increase in future insurance liabilities under insurance contracts		(179,820)	(143,530)
Finance costs		<u>(10,787)</u>	<u>(11,556)</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>		108,362	(6,743)
Tax		<u>(6,059)</u>	<u>(4,226)</u>
<b>PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		102,303	(10,969)
<b>DISCONTINUED OPERATION</b>			
Profit for the period from a discontinued operation		<u>206</u>	<u>110</u>
<b>PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS</b>		<u>102,509</u>	<u>(10,859)</u>
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS **</b>			
<b>BASIC</b>			
- For profit/(loss) for the period		<u>12.58 cents</u>	<u>(1.32) cents</u>
- For profit/(loss) from continuing operations		<u>12.55 cents</u>	<u>(1.34) cents</u>

## CONSOLIDATED BALANCE SHEET

	<b>Unaudited</b>	<b>Audited</b>
	<b>31/3/2006</b>	<b>31/12/2005</b>
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	215,345	219,649
Investment properties	14,958	15,028
Deferred acquisition costs	1,045,980	1,037,714
Financial assets	523,236	1,016,725
Pledged deposits	<u>15,880</u>	<u>15,751</u>
Total non-current assets	<u>1,815,399</u>	<u>2,304,867</u>
<b>CURRENT ASSETS</b>		
Deferred acquisition costs	286,898	286,179
Premiums receivable	56,605	88,468
Prepayments and other debtors	218,372	210,162
Financial assets	5,879,791	5,887,859
Reinsurance assets	1,884	1,954
Tax recoverable	719	1,009
Cash and cash equivalents	<u>2,146,435</u>	<u>1,357,684</u>
	8,590,704	7,833,315
Assets of a disposal group classified as held for sale	<u>55,844</u>	<u>59,773</u>
Total current assets	<u>8,646,548</u>	<u>7,893,088</u>
<b>CURRENT LIABILITIES</b>		
Payable to policyholders	(159,551)	(147,520)
Accrued expenses and other creditors	(230,304)	(262,497)
Tax payable	<u>(14,757)</u>	<u>(8,988)</u>
	(404,612)	(419,005)
Liabilities directly associated with the assets classified as held for sale	<u>(17,478)</u>	<u>(21,610)</u>
Total current liabilities	<u>(422,090)</u>	<u>(440,615)</u>
NET CURRENT ASSETS	<u>8,224,458</u>	<u>7,452,473</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>10,039,857</u>	<u>9,757,340</u>

	<i>Note</i>	<b>Unaudited 31/3/2006 HK\$'000</b>	<b>Audited 31/12/2005 HK\$'000</b>
<b>NON-CURRENT LIABILITIES</b>			
Derivative financial instrument		(3,218)	(3,313)
Interest-bearing loans		(780,317)	(768,140)
Future insurance liabilities under investment contracts		(548,589)	(546,802)
Future insurance liabilities under insurance contracts		(5,233,435)	(5,050,881)
Policyholders' dividends and bonuses		<u>(793,824)</u>	<u>(771,653)</u>
Total non-current liabilities		<u>(7,359,383)</u>	<u>(7,140,789)</u>
Net assets		<u>2,680,474</u>	<u>2,616,551</u>
<b>EQUITY</b>			
Issued capital		802,718	818,106
Reserves	2	1,845,032	1,765,721
Proposed dividends		<u>32,724</u>	<u>32,724</u>
Total equity		<u>2,680,474</u>	<u>2,616,551</u>

## 1. TURNOVER

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

An analysis of turnover is as follows:

	<b>Unaudited three months ended</b>	
	<b>31/3/2006 HK\$'000</b>	<b>31/3/2005 HK\$'000</b>
<u>Turnover</u>		
Life insurance contracts		
Single premium	8,743	3,876
First year premium	66,741	48,930
Renewal premium	<u>371,357</u>	<u>350,222</u>
	446,841	403,028
General insurance commissions under agency agreements	1,933	1,712
Asset management fees	3,537	4,179
Fees on investment contracts	<u>(1,874)</u>	<u>77</u>
Attributable to continuing operations reported in the consolidated income statement	<u>450,437</u>	<u>408,996</u>

## 2. RESERVES

	<b>Unaudited</b>	<b>Audited</b>
	<b>31/3/2006</b>	<b>31/12/2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share premium account	1,339	14,462
Contributed surplus	152,178	152,178
Share option reserve	19,412	19,101
Hedging reserve	(4,598)	(937)
Available-for-sale financial assets revaluation reserve	210,504	187,510
Retained profits	<u>1,466,197</u>	<u>1,393,407</u>
	<u>1,845,032</u>	<u>1,765,721</u>

## BUSINESS REVIEW

For the first three months of 2006, the Group has continued to maintain positive growth momentum and achieved a 49.1% increase in annualised first year premium on individual new business to HK\$76.1 million. Single and first year premium increased 42.9% to HK\$75.5 million, renewal premium increased 6.0% to HK\$371.4 million and total premium increased 10.9% to HK\$446.8 million. Policyholders' benefits increased 32.3% to HK\$180.3 million. Agency compensation increased 39.5% to HK\$96.6 million, in line with higher volume of new business. As a result of high new sales and associated agency compensation, deferred acquisition costs increased by HK\$9.0 million as compared to a drop of HK\$26.6 million in 2005. Total operating expenses increased 23.4% to HK\$375.4 million, principally due to non-recurring costs, costs arising from the increase in the agency force and provisions in respect of the Group's incentive scheme reflecting current year performance. Expense ratio was 116.0% (2005: 104.5%). Insurance liabilities increased 25.3% to HK\$179.8 million, due to larger volume of inforce business. LIMRA 13-month and 25-month persistency rates were 88.7% (2005: 87.4%) and 78.2% (2005: 77.2%). Renewal ratio was 99.7% (2005: 101.1%). Claim ratio was 95.7% (2005: 100.8%). Investment return on general fund was 12.5% p.a. (2005: 1.8% p.a.). Available-for-sale financial assets revaluation reserve was HK\$210.5 million as at 31 March 2006 as compared to HK\$187.5 million as at 31 December 2005.

The unaudited consolidated net profit of the Group for the three months ended 31 March 2006 was HK\$102.5 million (2005: net loss HK\$10.9 million). The increase in profit was mainly due to higher volume of business and better than expected investment income.

The Board is pleased that the Group has continued to achieve solid growth in its business and believes that the higher operating expenses are largely the result of one-off items and the Group's business expansion and will not have a significant impact on its profitability in the long term.

By order of the Board  
**Cheng Wan Seung, Ella**  
*Company Secretary*

Hong Kong, 11 May 2006

\* *For identification purpose only*

\*\* *Diluted earnings per share for the three months ended 31 March 2006 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 2006 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 (Deputy Managing Director and acting Chief Financial Officer)

*Non-Executive Directors:*

Peter Anthony Allen; Chung Cho Yee, Mico; Feng Xiaozeng; Zheng Changyong

*Independent Non-Executive Directors:*

Prof. Chang Hsin Kang; Timothy George Freshwater; Wang Xianzhang; Prof. Wong Yue Chim, Richard

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