
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Pacific Century Insurance Holdings Limited, you should at once hand this circular to the purchaser or transferee or the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser.

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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 —
DISPOSAL OF PROPERTY

* For identification purpose only

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Announcement”	the announcement dated 24th August, 2006 in relation to, inter alia, the Disposal;
“Company”	Pacific Century Insurance Holdings Limited, a company incorporated in Bermuda, whose shares are listed on the Stock Exchange;
“Completion”	completion of the Disposal;
“Connected Person(s)”	the meaning ascribed thereto in the Listing Rules;
“Directors”	the directors of the Company;
“Disposal”	the disposal of the Property as contemplated under the Provisional Agreement;
“Group”	the Company and its subsidiaries;
“Property”	12th and 13th Floors, Island Place Tower, as more particularly described in the section headed “The Property” in the Letter from the Board in this circular;
“Provisional Agreement”	the provisional sale and purchase agreement dated 24th August, 2006 entered into between the Vendor and the Purchaser in relation to the Disposal;
“Purchaser”	Dah Sing Bank, Limited;
“Latest Practicable Date”	8th September, 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendor”	Pacific Century Insurance Company Limited, a wholly-owned subsidiary of the Company; and
“HK\$”	Hong Kong dollars, the legal currency of Hong Kong.



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(Stock code: 65)

Executive Directors:

YUEN Tin Fan, Francis
CHAN Ping Kan, Raymond
SO Wing Hung, Peter

Non-executive Directors:

ALLEN Peter Anthony
CHUNG Cho Yee, Mico
FENG Xiaozeng
ZHENG Changyong

Independent Non-Executive Directors:

Prof. CHANG Hsin Kang
FRESHWATER Timothy George
WANG Xianzhang
Prof. WONG Yue Chim, Richard

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Place of Business:

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14th Floor
One Pacific Place
88 Queensway
Admiralty
Hong Kong

14th September, 2006

To the Shareholders

Dear Sir/Madam,

**DISCLOSEABLE TRANSACTION —
DISPOSAL OF PROPERTY**

INTRODUCTION

It was stated in the Announcement that on 24th August, 2006, the Vendor and the Purchaser entered into the Provisional Agreement whereby the Vendor agreed to sell and the Purchaser agreed to purchase the Property for a consideration of HK\$200 million.

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LETTER FROM THE BOARD

The Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules on the basis that the consideration test set out in Rule 14.07 of the Listing Rules is more than 5% but less than 25%. This circular containing details of the Disposal as required under Chapter 14 of the Listing Rules.

THE PROVISIONAL AGREEMENT

- Date: 24th August, 2006
- Parties to the Provisional: Pacific Century Insurance Company Limited (a wholly-owned
Agreement subsidiary of the Company), as vendor
- Dah Sing Bank, Limited, as purchaser
- Consideration: HK\$200,000,000, payable as follows:-
- (i) a deposit of HK\$6,000,000 was paid by the Purchaser on signing of the Provisional Agreement;
 - (ii) the balance of the deposit of HK\$14,000,000 was paid by the Purchaser on 7th September, 2006; and
 - (iii) the balance of the purchase price of HK\$180,000,000 is payable upon Completion on or before 31st October, 2006.

The consideration was based on arm's-length negotiations between the Vendor and the Purchaser, with reference to prevailing market value of commercial properties of similar size and age as the Property in the same vicinity.

The proceeds of the Disposal are to be used by the Company as working capital.

- Terms: At the Latest Practicable Date, the parties were still finalising the terms of the formal sale and purchase agreement, which will be signed if and when the terms are agreed. If the formal sale and purchase agreement is not signed, the parties will proceed to Completion based on the terms of the Provisional Agreement. Completion shall take place on or before 31st October, 2006. Should the Vendor fail to proceed to Completion according to the terms of the Provisional Agreement (other than due to the Purchaser's default), all deposits paid by the Purchaser shall be returned to the Purchaser who shall be entitled to claim against the Vendor for loss or damage as the Purchaser may sustain as a result of the Vendor's breach of the Provisional Agreement. Should the

LETTER FROM THE BOARD

Purchaser (other than due to the default of the Vendor) fail to proceed to Completion according to the terms of the Provisional Agreement, the Vendor may terminate the Provisional Agreement and the Vendor shall be entitled to forfeit all deposits paid by the Purchaser without prejudice to any other rights or remedies of the Vendor. Nothing in the Provisional Agreement precludes either party to seek an order for specific performance.

On Completion, the Vendor will enter into a lease with the Purchaser to lease back the Property from the Purchaser from Completion till 28th February, 2007 at a rent of HK\$20.5 per square feet (equivalent to HK\$827,790 per month) exclusive of service charges, rates and outgoings. Such rent was determined with reference to market rental of commercial properties of similar size and age as the Property in the same vicinity and taking into account the fact that this is a short term tenancy.

The Property

The Property comprises Units 1 to 10, 12th and 13th Floors of Island Place Tower, No. 510 King's Road, North Point, Hong Kong. The Property is currently used by the Company as office space for its staff and will continue to be used for the same purpose during the term of the lease back.

REASONS FOR AND THE BENEFITS OF THE TRANSACTION

The Group is in the process of relocating its staff and a considerable number of its insurance agents currently spread out in various offices with locations in Hong Kong and Kowloon to a central location. The Disposal represents a good opportunity for the Company to sell the Property having regard to the price and market conditions and also fits in well with the Company's overall relocation plan. The lease back arrangement is a temporary measure to house the staff to fit in with the relocation plan which will take place in stages.

Based on the net carrying amount of the Property amounting to approximately HK\$179,207,000 as at 31 December 2005, the Group would realize a gain of HK\$18,793,000 approximately on the Disposal. However, the actual gain which the Group would realize upon completion of the Disposal will depend on the actual net carrying amount of the Property as at the date of completion in accordance with the Group's depreciation policy for its properties as shown in the Company's annual report 2005.

After the Disposal, the Group's property, plant and equipment will decrease by the net carrying amount of the Property and the current assets will increase by the amount of net sale proceeds received from the Disposal.

On the basis of the above, the Directors believe that the terms of the Disposal are fair and reasonable and in the interests of the shareholders of the Company as a whole.

LETTER FROM THE BOARD

GENERAL INFORMATION

Based on public information, the Purchaser is a wholly-owned subsidiary of Dah Sing Banking Group Limited, a company whose shares are listed on the Stock Exchange and the Purchaser's principal activity is banking.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser, Dah Sing Banking Group Limited and the shareholder holding more than 30% of its issued share capital (based on filings as at the Latest Practicable Date made pursuant to the SFO) are not Connected Persons of the Company and are third parties independent of the Company and Connected Persons of the Company.

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.

Your attention is drawn to the general information regarding the Group which is required to be included in this circular under the Listing Rules as set out in the Appendix of this circular.

By Order of the Board
Pacific Century Insurance Holdings Limited
YUEN Tin Fan, Francis
Executive Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement contained in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO were as follows:-

Long positions in ordinary shares of the Company:-

Number of shares held, capacity and nature of interest

Name of director	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Held by a trust	Total	Percentage of the Company's issued share capital
YUEN Tin Fan, Francis ^{Note (a)}	—	—	—	21,204,800	21,204,800	2.61
SO Wing Hung, Peter ^{Note (b)}	—	—	—	276,000	276,000	0.03
ALLEN Peter Anthony	360,000	—	—	—	360,000	0.04
	<u>360,000</u>	<u>—</u>	<u>—</u>	<u>21,480,800</u>	<u>21,840,800</u>	<u>2.68</u>

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.

Directors' rights to acquire shares of the Company

Name of director	Date of grant of share options	Vesting period	Exercisable period	Exercise price HKD	Number of share options outstanding
YUEN Tin Fan, Francis	7th July, 1999	7th July, 2000 to 7th July, 2004	7th July, 2000 to 6th July, 2009	5.233	11,664,000
CHAN Ping Kan, Raymond	20th June, 2003	20th June, 2004 to 20th March, 2006	20th June, 2004 to 19th March, 2011	1.62	8,000,000
ALLEN Peter Anthony	7th July, 1999	7th July, 2000 to 7th July, 2004	7th July, 2000 to 6th July, 2009	5.233	360,000
CHUNG Cho Yee, Mico	7th July, 1999	7th July, 2000 to 7th July, 2004	7th July, 2000 to 6th July, 2009	5.233	1,368,000
SO Wing Hung, Peter	29th August, 2003	29th August, 2004 to 29th August, 2006	29th August, 2004 to 28th August, 2011	2.05	4,000,000
	3rd March, 2005	3rd March, 2006 to 3rd March, 2008	3rd March, 2006 to 2nd March, 2013	3.675	800,000

*Long positions in ordinary shares of the immediate holding company of the Company:-**Pacific Century Regional Developments Limited ("PCRD")***Number of shares held, capacity and nature of interest**

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO.

(b) **Interests of Shareholders**

As at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group.

Name	Notes	Number of ordinary shares held	% of the Company's issued share capital
LI Tzar Kai, Richard	(1)	385,797,942(L)	47.55%(L)
PCRD	(2)(4)	383,797,942(L)	47.30%(L)
Ocean Star Investment Management Limited	(2)	383,797,942(L)	47.30%(L)
Ocean Star Management Limited	(2)	383,797,942(L)	47.30%(L)
OS Holdings Limited	(2)	383,797,942(L)	47.30%(L)
Star Ocean Ultimate Limited	(2)	383,797,942(L)	47.30%(L)
The Ocean Trust	(2)	383,797,942(L)	47.30%(L)
The Ocean Unit Trust	(2)	383,797,942(L)	47.30%(L)
The Starlite Trust	(2)	383,797,942(L)	47.30%(L)
The Starlite Unit Trust	(2)	383,797,942(L)	47.30%(L)
Pacific Century Group Holdings Limited	(2)(5)	383,797,942(L)	47.30%(L)
China Insurance (Holdings) Company, Limited	(3)(6)	91,060,000(L)	11.22%(L)
King System Limited	(3)	49,907,200(L)	6.15%(L)
Joyful Box Inc.	(3)	41,152,800(L)	5.07%(L)

Remark: (L) — Long Position

Notes:

- (1) These interests represent Mr. LI Tzar Kai, Richard's deemed interests in: (a) 2,000,000 shares held by Pacific Century Diversified Limited, a wholly-owned subsidiary of Chiltonlink Limited, which is 100% owned by Mr. LI Tzar Kai, Richard; and (b) 383,797,942 shares indirectly held by the trustee of two unit trusts (see note 2 below), the units of which are held by two discretionary trusts of which Mr. LI Tzar Kai, Richard is the founder.
- (2) Each of Ocean Star Management Limited, OS Holdings Limited, Star Ocean Ultimate Limited, The Ocean Trust, The Ocean Unit Trust, The Starlite Trust, The Starlite Unit Trust and Pacific Century Group Holdings Limited ("PCGH") is deemed to have an interest under the SFO in the same 383,797,942 shares held by PCRD as it holds, directly or indirectly, a controlling interest in PCRD. Ocean Star Investment Management Limited is deemed under the SFO to have an interest in the same 383,797,942 shares held by PCRD by virtue of it being the manager of The Starlite Unit Trust and The Ocean Unit Trust which together hold 100% of the shares of PCGH. As at the Latest Practicable Date, PCGH's controlling interest in PCRD was held through its controlled corporations (being its wholly-owned subsidiaries, Borsington Limited, Pacific Century International Limited, Pacific Century Group (Cayman Islands) Limited and Anglang Investments Limited, which together controlled 75.33% of the shares of PCRD).

- (3) China Insurance (Holdings) Company, Limited is taken to have an interest under the SFO in the same 91,060,000 shares, in aggregate, beneficially owned by Joyful Box Inc. and King System Limited.
- (4) Messrs. YUEN Tin Fan, Francis and ALLEN Peter Anthony are two of the directors of PCRD.
- (5) Mr. ALLEN Peter Anthony is a director of PCGH.
- (6) Messrs. FENG Xiaozeng and ZHENG Changyong are directors of China Insurance (Holdings) Company, Limited.

Save as disclosed above, the Directors and the chief executives of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Group.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, the Company has entered into service contracts with the executive directors of the Company for the provision of management services to the Group, details of each of which are as follows:-

- (1) The service contract of Mr. YUEN Tin Fan, Francis is indefinite.
- (2) There is no service contract entered into between the Company and Mr. CHAN Ping Kan, Raymond and he is not appointed for a specific term, but will subject to retirement by rotation pursuant to the Company's bye-laws.
- (3) Mr. SO Wing Hung, Peter has entered into a service contract with the Company which commenced from 1st April, 2004 and which will expire on 31st March, 2007.

The non-executive directors, except Mr. ALLEN Peter Anthony, were appointed for a period of two years commencing from 17th March, 2006. Mr. ALLEN Peter Anthony was appointed for a period of two years commencing from 1st March, 2006.

The independent non-executive directors, except Mr. WANG Xianzhang, were appointed for a period of two years commencing from 8th June, 2006. Mr. WANG Xianzhang was appointed for a period of two years commencing from 17th March, 2006.

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

4. LITIGATION

On 21st September, 2000, a writ was issued against a number of persons, including Pacific Century Insurance Company Limited (a company incorporated in Bermuda and is 100% indirectly owned by the Company) (“PCI”) and certain insurance agents of PCI, by certain members of an insurance group operating in Hong Kong (the “Plaintiffs”), whereby the Plaintiffs sought, among other things, injunctive relief and damages against PCI in connection with PCI’s plan matching scheme and the purported use of certain documents and information.

On 24th July, 2001, a High Court judge granted the Plaintiffs interim injunctive relief pending the trial of the action or further order. The interim injunctive relief restrains PCI, among others, from disclosing or otherwise making any use of certain documents and information, and accepting applications for life insurance policies in certain circumstances.

Having consulted legal counsel, the Group has determined that it will continue to vigorously defend these proceedings. In the opinion of the Directors and based on legal advice, it is unlikely that the final outcome of these proceedings would materially affect the financial position of the Group.

Save as disclosed, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

5. COMPETING INTERESTS

Pursuant to Rule 8.10 of 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 as at the Latest Practicable Date:-

Name of directors	Name of companies	Competing business	Nature of interest
FENG Xiaozeng	China Insurance (Holdings) Company, Limited	Insurance holding	As the chairman
	China Insurance International Holdings Company Limited	Insurance holding	As the chairman
	CITIC International Financial Holdings Limited	Financial holding	As non-executive director
	The Tai Ping Insurance Company, Limited	General insurance business	As a director
	Tai Ping Life Insurance Company, Limited	Life insurance business	As a director
	TaiPing Pension Company Limited	Pension insurance business	As a director
	China International Reinsurance Company Limited	Reinsurance business	As the chairman
	The Ming An Insurance Company (Hong Kong), Limited	General insurance business	As a director
ZHENG Changyong	China Insurance (Holdings) Company, Limited	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
	China Life Insurance (Overseas) Company Limited	Life insurance business	As an independent non-executive director
WANG Xianzhang	Greatwall Life Insurance Co., Ltd.	Life insurance business	As an independent director

All of the above companies, except CITIC International Financial Holdings Limited, China Life Insurance (Overseas) Company Limited and Greatwall Life Insurance Co., Ltd., are within the China Insurance (Holdings) Company Group which holds 11.22% interest in the Company as disclosed in the paragraph headed “Interests of Shareholders” in the section headed “Disclosure of Interests” above.

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.

6. GENERAL

- (i) The secretary of the Company is Ms. CHENG Wan Seung, Ella who is a Chartered Accountant with the Institute of Newfoundland, Canada, and a member of The Hong Kong Institute of Certified Public Accountants.
- (ii) The qualified accountant of the Company is Ms. CHEUNG Man Yi who is a fellow member of each of The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants.
- (iii) The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited of 46/F., Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (iv) The English version of this circular shall prevail over the Chinese text.