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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)

ACQUISITION OF 1063 KING'S ROAD
VERY SUBSTANTIAL ACQUISITION

The Directors are pleased to announce that on 13 December 2006, the Purchaser (an indirect wholly owned subsidiary of the Company) entered into the Share Purchase Agreement to purchase from the Vendors the entire issued share capital of HKL (King's Road) and related shareholder's loans to HKL (King's Road) and Foundasia, for HK\$1,472,295,000.00. HKL (King's Road), through Foundasia, owns the property situated at 1063, King's Road, Quarry Bay, Hong Kong (i.e. the Property).

The Share Purchase Agreement and the transactions contemplated thereunder constitute a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and will be subject to the approval of the shareholders at the SGM. A circular containing, among other things, information on the Acquisition together with the notice of the SGM will be dispatched as soon as practicable.

1. DETAILS OF THE SHARE PURCHASE AGREEMENT

Date

13 December 2006

Parties

- (1) the Purchaser, an indirect wholly owned subsidiary of the Company, as purchaser;
- (2) (i) HKL (Quarry Bay), as vendor of the entire issued share capital of HKL (King's Road) and a shareholder's loan due by HKL (King's Road) as at completion, as seller;
- (ii) HKLC, as vendor of a shareholder's loan due by HKL (King's Road) as at completion; and
- (iii) HKLPC, as vendor of a shareholder's loan due by Foundasia as at completion.

Assets

The Vendors' entire interest in the Property, represented by:

- (a) two ordinary shares of US\$1.00 each in the share capital of HKL (King's Road) held by HKL (Quarry Bay), being its entire issued share capital, and all shareholder's loan (which is unsecured, non-interest bearing and repayable on demand) by HKL (Quarry Bay) to HKL (King's Road) as at completion, the amount of which as at the date of this announcement was HK\$1,638,132.68;
- (b) all shareholder's loan (which is unsecured, non-interest bearing and repayable on demand) by HKLC to HKL (King's Road) as at completion, the amount of which as at the date of this announcement was HK\$132,311,315.00; and
- (c) all shareholder's loan (which is unsecured, interest bearing and repayable on demand) by HKLPC to Foundasia as at completion, the amount of which as at 30 November 2006 was HK\$1,411,422,647.27.

Consideration and Completion

The consideration for the entire issued share capital of HKL (King's Road), and all related shareholder's loans to HKL (King's Road) and Foundasia is HK\$1,472,295,000.00, payable as follows:

- (a) an initial deposit of HK\$30,000,000.00 was paid by the Purchaser on signing of the Share Purchase Agreement;
- (b) a further deposit of HK\$117,229,500.00 is payable within 14 days of signing of the Share Purchase Agreement; and
- (c) the balance of the consideration of HK\$1,325,065,500.00 (subject to adjustment set out below) is payable on completion.

Completion shall take place on the earlier of the third business day after satisfaction (or waiver) of the following conditions or 31 March 2007 (or such other date as the parties may agree) conditional upon the following:

- (a) the passing at a general meeting of the Company, in accordance with the Listing Rules, of a resolution to approve the Share Purchase Agreement and the transactions contemplated thereunder or the obtaining otherwise of all necessary consents or approvals required of the Company under the Listing Rules for approving the terms of the Share Purchase Agreement and the transactions contemplated thereunder; and

- (b) the Purchaser, acting reasonably, is satisfied that:
- (i) HKL (Quarry Bay) has legal and beneficial title to the shares of HKL (King's Road) free from encumbrances;
 - (ii) the shareholders' loans are due and owing; and
 - (iii) Foundasia has good title to the Property in accordance with section 13 of the Conveyancing and Property Ordinance, and is the sole registered owner of the Property and the Property is beneficially owned by Foundasia.

In the event the above conditions are not satisfied or waived by 31 March 2007, the transaction will not proceed and, in relation to the non-satisfaction of condition (b), any deposit paid by the Purchaser shall be refunded by the Vendors without interest.

The consideration will be subject to a post-completion adjustment by reference to HKL (King's Road)'s and Foundasia's working capital at completion on a dollar-for-dollar basis. The consideration was determined after arm's length negotiation between the parties with reference to the market value of the Property. A valuation report will be included in the circular of the Company to be dispatched to shareholders.

The consideration will be funded from internal resources and bank borrowings of the Company.

Other information

HKL (King's Road), through Foundasia, is the holding company of the Property which is a 31-level Grade-A office complex situated at 1063, King's Road, Quarry Bay, Hong Kong. The Property offers approximately 290,000 sq.ft. of gross commercial space with floors 1-3 comprising a carpark with 115 spaces. Retail spaces, an entrance lobby and loading/unloading area are provided on the ground floor, while the upper floors (6/F to 30/F) are designated for office use. Completed in 1999, the Property combines eye-catching contemporary architecture with state-of-the-art telecommunications, advanced security and building management systems. The Property is currently 100% occupied, leased to a wide range of high quality tenants.

HKL (King's Road) and the Purchaser have agreed to use all reasonable endeavours to procure that a management agreement in relation to the ongoing management of the Property for a period of not less than six months after completion by a Hongkong Land entity acceptable to the Purchaser, be entered into upon terms to be agreed in due course.

As at 31 December 2005, the unaudited consolidated net deficiency in assets before deducting deferred taxation of HKL (King's Road) was HK\$230,574,662.00. For the year ended 31 December 2004, the unaudited consolidated net profits before and after taxation and extraordinary items of HKL (King's Road) were HK\$347,927,703.00 and HK\$347,927,703.00 respectively. For the year ended 31 December 2005, the unaudited consolidated net profits before and after taxation and extraordinary items of HKL (King's Road) were HK\$254,781,866.00 and HK\$254,781,866.00 respectively.

2. REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group intends to hold the Property as a long term investment which offers attractive yield with long term capital appreciation potential. The Group currently utilises approximately 200,000 sq. ft. of office space for its corporate and insurance operations at various locations in Hong Kong. The majority of the existing leases are expected to expire in the next two to eight years. Subject to existing tenancy agreements, the Group intends to move its operations to the Property in phases so that it can benefit from the certainty of future rental expenses and the improved efficiency of operating under one roof.

The Directors consider that the Share Purchase Agreement and the transactions contemplated under the Share Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the shareholders of the Company.

3. GENERAL

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.

Hongkong Land group, of which the Vendors are members, is a leading property investment, management and development group with a major portfolio in Hong Kong, where it owns and manages prime office and retail space in the heart of the Central business district in Hong Kong.

The Share Purchase Agreement and the transactions contemplated thereunder constitute a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and will be subject to the approval of the shareholders at the SGM. A circular containing, among other things, information on the Acquisition together with the notice of the SGM will be dispatched as soon as practicable.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Vendors or any of their associates are connected persons of the Company and are third parties independent of the Company and connected persons of the Company.

4. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Company”	Pacific Century Insurance Holdings Limited;
“connected person”	has the meaning given to it by the Listing Rules;
“Directors”	the directors of the Company;
“Foundasia”	Foundasia (HK) Limited, a wholly owned subsidiary of HKL (King’s Road) and the owner of the Property;
“Group”	the Company and its subsidiaries or, where the context so requires, any of them (as defined under the Listing Rules);
“HK\$”	Hong Kong dollars;
“HKLC”	The Hongkong Land Company, Limited, being the vendor of a shareholder’s loan due by HKL (King’s Road) as mentioned in the paragraph “1. Details of the Share Purchase Agreement - Assets” above
“HKLPC”	The Hongkong Land Property Company, Limited, being the vendor of a shareholder’s loan due by Foundasia as mentioned in the paragraph “1. Details of the Share Purchase Agreement - Assets” above
“HKL (King’s Road)”	HKL (King’s Road) Ltd., a company incorporated under the laws of the British Virgin Islands and the holding company of Foundasia;
“HKL (Quarry Bay)”	HKL (Quarry Bay) Limited, being the vendor of the entire issued share capital of HKL (King’s Road) and a shareholder’s loan due by HKL (King’s Road) as mentioned in the paragraph “1. Details of the Share Purchase Agreement - Assets” above
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Purchaser”	Shabhala International Limited, an indirect wholly owned subsidiary of the Company;

“Property”	the property situated at 1063 King’s Road, Quarry Bay, Hong Kong
“Share Purchase Agreement”	the share purchase agreement dated 13 December 2006 entered into between the Purchaser and the Vendors for the purchase and sale of the entire issued share capital of HKL (King’s Road), and the related shareholder’s loans to HKL (King’s Road) and Foundasia;
“SGM”	the special general meeting to be convened by the Company to consider and approve the Share Purchase Agreement and the transaction contemplated thereunder;
“sq. ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Vendors”	HKL (Quarry Bay), HKLC and HKLPC

By Order of the Board
Pacific Century Insurance Holdings Limited
Cheng Wan Seung, Ella
Company Secretary

Hong Kong, 13 December 2006

** for identification purpose only*

As at the date of this announcement, the executive directors of the Company are Messrs Yuen Tin Fan, Francis, Chan Ping Kan, Raymond and, So Wing Hung, Peter; the non-executive directors of the Company are Messrs Peter Anthony Allen, Chung Cho Yee, Mico, Feng Xiaozeng and Zheng Changyong; and the independent non-executive directors of the Company are Prof. Chang Hsin Kang, Mr. Timothy George Freshwater, Mr. Wang Xianzhang and Prof. Wong Yue Chim, Richard.

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