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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)**

### **CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the press announcement dated 8 November 2004 in relation to the Continuing Connected Transactions published by the Company.

The Agency Agreement will expire on 31 March 2007 and it will be automatically renewed for another 3 years until being terminated pursuant to the terms of the Agency Agreement with effect from 8 November 2004. The total service fees income to be paid by Ming An to PCI under the Continuing Connected Transactions shall not exceed the Cap Amount of HK\$25 million for each of the three years ending 31 December 2009.

Ming An, is principally engaged in the underwriting of all classes of general insurance business in Hong Kong and in the People's Republic of China, is a subsidiary of China Insurance H.K. (Holdings) Company Limited and China Insurance (Holdings) Company, Limited. China Insurance (Holdings) Company, Limited is a substantial shareholder of the Company. Accordingly, transactions between PCI and Ming An, which is an associate of a substantial shareholder of the Company, constitute Continuing Connected Transactions for the Company under the Rule 14A.13 of the Listing Rules.

The Directors consider that the Continuing Connected Transactions are entered into in the usual and ordinary course of business of the Group. They also consider that the terms of the Continuing Connected Transactions have been negotiated and will be conducted on an arm's length basis between PCI and Ming An and the Continuing Connected Transactions are on normal commercial terms.

The Directors are of the view that so far as the Shareholders are concerned, the Continuing Connected Transactions and the terms of the Agency Agreement (as amended by the Supplemental Agreement) are fair and reasonable and in the best interests of the Group and its shareholders as a whole.

Pursuant to Rule 14A.34 of the Listing Rules that since each of the percentage ratio is less than 2.5% on an annual basis, the Continuing Connected Transactions are only subject to the reporting and announcement requirement under Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

Reference is made to the press previous announcement dated 8 November 2004 in relation to the Continuing Connected Transactions published by the Company.

The Agency Agreement will expire on 31 March 2007 and it will be automatically renewed for another 3 years until being terminated pursuant to the terms of the Agency Agreement with effect from 8 November 2004. The total service fees income to be paid by Ming An to PCI under the Continuing Connected Transactions shall not exceed the Cap Amount of HK\$25 million for each of the three years ending 31 December 2009.

Pursuant to the Agency Agreement (as amended by the Supplemental Agreement), PCI is appointed to act as an agent of Ming An for the purpose of introducing general insurance business to Ming An with authorisation to underwrite and to settle claims of certain types of general insurance business on behalf of Ming An. In return for the agency service provided by PCI, PCI receives service fees from Ming An for every successful transaction. The Agency Agreement (as amended by the Supplemental Agreement) will expire on 31 March 2007 and be automatically renewed for another 3 years until being terminated in accordance with the terms of the Agency Agreement.

## **THE CONTINUING CONNECTED TRANSACTIONS AND THE CAP AMOUNTS FOR THE CONTINUING CONNECTED TRANSACTIONS**

Ming An, is principally engaged in the underwriting of all classes of general insurance business in Hong Kong and in the People's Republic of China, is a subsidiary of China Insurance H.K. (Holdings) Company Limited and China Insurance (Holdings) Company, Limited. China Insurance (Holdings) Company, Limited is a substantial shareholder (as defined under the Listing Rules) of the Company which has 11.16% of shareholding in the Company. Accordingly, transactions between PCI and Ming An, which is an associate of a substantial shareholder of the Company, constitute Continuing Connected Transactions for the Company under the Listing Rules.

The Directors consider that the Continuing Connected Transactions will be entered into in the usual and ordinary course of business of the Group. They also consider that the terms of the Continuing Connected Transactions have been negotiated and will be conducted on an arm's length basis between PCI and Ming An and the Continuing Connected Transactions are on normal commercial terms.

The Directors are of the view that so far as the Shareholders are concerned, the Continuing Connected Transactions and the terms of the Agency Agreement (as amended by the Supplemental Agreement) are fair and reasonable and in the best interests of the Group and the Shareholders as a whole.

Pursuant to Rule 14A.34 of the Listing Rules that since each of the percentage ratio is less than 2.5% on an annual basis, the Continuing Connected Transactions are only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board expects that the total amount of service fees to be paid by Ming An to PCI under the Continuing Connected Transactions will not exceed HK\$25 million for each of the three years ending 31 December 2009 in any financial year. The Directors (including the independent non-executive directors) had reviewed the Cap Amount and considered that both the Cap Amount and the terms governing the Continuing Connected Transactions are fair and reasonable and in the interests of the shareholders of the Company as a whole. They also considered that the Continuing Connected Transactions were entered into on normal commercial terms and in the ordinary course of business of the Company.

The Cap Amount of HK\$25 million is determined on the following basis:-

- (i) For the financial years ended 31 December 2003, 31 December 2004 and 31 December 2005, the service fees paid by Ming An to PCI amounted to approximately HK\$6,961,000, HK\$7,409,000 and HK\$6,471,000 respectively;
- (ii) As disclosed in the 2006 Interim Report of the Company, the service fees paid by Ming An to PCI during the six months ended 30 June 2006 was approximately HK\$2,540,000 and as shown in the 2006 Annual Report of the Company, the service fees paid by Ming An to PCI for the financial year ended 31 December 2006 was approximately HK\$6,505,000; and
- (iii) It is expected that the general insurance business of PCI will grow gradually over the next three years, as such the Cap Amount is set at a reasonable level that it not only allows further expansion of the business yet at the same time it would not hinder the Company to conduct its normal course of business as a result of the restriction of the Cap Amount if it was set too low.

## 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.

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:-

|                                     |                                                                                                     |
|-------------------------------------|-----------------------------------------------------------------------------------------------------|
| “Agency Agreement”                  | The agency agreement dated 1 January 2001 entered into between PCI and Ming An                      |
| “Board”                             | The board of directors including independent non-executive directors of the Company                 |
| “Cap Amount”                        | The cap amount of HK\$25 million                                                                    |
| “Company”                           | Pacific Century Insurance Holdings Limited, the shares of which are listed on the Stock Exchange    |
| “Continuing Connected Transactions” | The transactions contemplated under the Agency Agreement (as amended by the Supplemental Agreement) |
| “Directors”                         | Directors of the Company including independent non-executive directors                              |
| “Group”                             | The Company and its subsidiaries                                                                    |
| “Listing Rules”                     | The Rules Governing the Listing of Securities on the Stock Exchange                                 |
| “Ming An”                           | The Ming An Insurance Company (Hong Kong) Limited, a company incorporated in Hong Kong.             |
| “PCI”                               | Pacific Century Insurance Company Limited, a wholly-owned subsidiary of the Company                 |
| “Stock Exchange”                    | The Stock Exchange of Hong Kong Limited                                                             |
| “Supplemental Agreement”            | The supplemental agreement to the Agency Agreement                                                  |

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

Hong Kong, 16 March 2007

*\* 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; Chan Ping Kan, Raymond; So Wing Hung, Peter

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.