



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 2007

- Solid growth, better than expected investment return and claim experience, stable persistency.
- Individual annualised first year premium increased by 21.4% to HK\$163.5 million with 57.0% increase in investment contracts to HK\$92.0 million despite decrease of 6.1% from insurance contracts to HK\$71.5 million.
- Unaudited consolidated profit for the three months ended 31 March 2007: HK\$107.5 million (2006: HK\$102.5 million).
- Available-for-sale financial assets revaluation reserve: HK\$97.5 million (31/12/2006: HK\$114.9 million).

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 2007 together with comparative figures for the corresponding period in 2006 as follows:

CONSOLIDATED INCOME STATEMENT

		Unaudited	
		three months ended	
	Note	31/3/2007	31/3/2006
		HK\$'000	HK\$'000
CONTINUING OPERATIONS			
REVENUE			
Turnover	2	496,891	450,437
Investment income, net gains, and other income		<u>266,152</u>	<u>258,187</u>
Total revenue and gains, net		763,043	708,624
Less: Reinsurance premiums		<u>(32,576)</u>	<u>(34,240)</u>
Net revenue		730,467	674,384
Policyholders' benefits under insurance contracts		(178,121)	(153,417)
Policyholders' benefits under investment contracts		(11,367)	(26,852)
Agency commission and allowances		(112,399)	(96,596)
Change in deferred acquisition costs		20,617	8,985
Management expenses		(135,597)	(107,535)
Increase in insurance contract liabilities		(184,036)	(179,820)
Finance costs		<u>(13,067)</u>	<u>(10,787)</u>
PROFIT BEFORE TAX		116,497	108,362
Tax		<u>(9,411)</u>	<u>(6,059)</u>
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		107,086	102,303
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation		<u>439</u>	<u>206</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		<u>107,525</u>	<u>102,509</u>

	Unaudited	
	three months ended	
Note	31/3/2007	31/3/2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
BASIC		
- For profit for the period	<u>13.18 cents</u>	<u>12.58 cents</u>
- For profit from continuing operations	<u>13.13 cents</u>	<u>12.55 cents</u>
DILUTED		
- For profit for the period	<u>12.93 cents</u>	<u>12.40 cents</u>
- For profit from continuing operations	<u>12.88 cents</u>	<u>12.38 cents</u>

CONSOLIDATED BALANCE SHEET

	Note	Unaudited 31/3/2007 <i>HK\$'000</i>	Audited 31/12/2006 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		76,896	58,138
Investment properties		1,522,880	19,024
Deferred acquisition costs		1,171,786	1,150,314
Financial assets		3,544,965	3,985,028
Deferred tax asset		5,250	5,250
Pledged deposits		<u>90,247</u>	<u>34,513</u>
Total non-current assets		<u>6,412,024</u>	<u>5,252,267</u>
CURRENT ASSETS			
Deferred acquisition costs		293,609	294,464
Premiums receivable		64,428	69,968
Prepayments, deposits and other debtors		360,861	402,916
Financial assets		3,092,736	3,049,794
Reinsurance assets		1,866	1,918
Cash and cash equivalents		<u>2,629,633</u>	<u>2,494,109</u>
		<u>6,443,133</u>	<u>6,313,169</u>
Assets of a disposal group classified as held for sale		<u>59,924</u>	<u>59,084</u>
Total current assets		<u>6,503,057</u>	<u>6,372,253</u>
CURRENT LIABILITIES			
Payable to policyholders		(155,188)	(143,600)
Accrued expenses and other creditors		(294,743)	(367,303)
Tax payable		<u>(22,273)</u>	<u>(17,718)</u>
		<u>(472,204)</u>	<u>(528,621)</u>
Liabilities directly associated with the assets classified as held for sale		<u>(19,543)</u>	<u>(19,364)</u>
Total current liabilities		<u>(491,747)</u>	<u>(547,985)</u>
NET CURRENT ASSETS		<u>6,011,310</u>	<u>5,824,268</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,423,334</u>	<u>11,076,535</u>

	Note	Unaudited 31/3/2007 HK\$'000	Audited 31/12/2006 HK\$'000
NON-CURRENT LIABILITIES			
Derivative financial instrument		(4,731)	(31,811)
Interest-bearing loans		(1,746,684)	(770,979)
Investment contract liabilities		(846,342)	(807,376)
Insurance contract liabilities		(6,006,279)	(5,804,170)
Policyholders' dividends and bonuses		(948,389)	(914,489)
Deferred tax liability		<u>(5,066)</u>	<u>—</u>
Total non-current liabilities		(9,557,491)	(8,328,825)
Net assets		<u>2,865,843</u>	<u>2,747,710</u>
EQUITY			
Issued capital		816,404	814,619
Reserves	3	<u>2,049,439</u>	<u>1,933,091</u>
Total equity		<u>2,865,843</u>	<u>2,747,710</u>

1. CHANGE IN ACCOUNTING POLICY FOR INVESTMENT PROPERTIES

In prior years, the Group accounted for its investment properties using the cost model in accordance with the Hong Kong Accounting Standard (“HKAS”) 40 “Investment Property”. Investment properties were stated at cost less accumulated depreciation and any impairment losses. Depreciation was calculated on the straight-line basis so as to write off the cost of each investment property to its residual value over its estimated useful life. The principal annual rates used for this purpose were based on the remaining lease terms of the land use rights.

From 1 January 2007, the Group opted to use the fair value model (the “Fair Value Model”) in accordance with HKAS 40 to account for its investment properties. Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from the change in fair value or from the retirement or disposal of an investment property is recognised in the income statement. Management takes the view that the new policy provides reliable and more relevant information because it measures the returns with consideration of the changes in fair values of the investment properties. The Fair Value Model is applied retrospectively and the adoption of the Fair Value Model has no material impact on the Group’s retained profits as at 31 December 2006 and 2005, and on the results for the years then ended.

(a) Effect on the consolidated balance sheet as at 31 March 2007

Effect of new policy	Effect of adopting HKAS 40 Fair Value Model HK\$'000
Increase in investment properties	34,106
Increase in deferred tax liability	<u>(5,276)</u>
Net increase in net assets	<u>28,830</u>

(b) *Effect on the consolidated income statement for the three months ended 31 March 2007*

Effect of new policy	Effect of adopting HKAS 40 Fair Value Model HK\$'000
Increase in investment income, net gains, and other income	31,561
Decrease in management expenses	2,545
Increase in deferred tax	<u>(5,276)</u>
Net increase in profit	<u>28,830</u>
Increase in basic earnings per share	<u>3.54 cents</u>
Increase in diluted earnings per share	<u>3.47 cents</u>

2. 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:

	Unaudited	
	three months ended	
	31/3/2007	31/3/2006
	HK\$'000	HK\$'000
Turnover		
Life insurance contracts:		
Single premium	5,646	8,743
First year premium	69,014	66,741
Renewal premium	408,937	<u>371,357</u>
Gross premium	483,597	446,841
General insurance commissions under agency agreements	2,069	1,933
Asset management fees	3,981	3,537
Fees on investment contracts	7,244	<u>(1,874)</u>
Turnover attributable to continuing operations reported in the consolidated income statement	<u>496,891</u>	<u>450,437</u>

3. RESERVES

	Unaudited 31/3/2007 HK\$'000	Audited 31/12/2006 HK\$'000
Share premium account	24,680	20,202
Contributed surplus	152,178	152,178
Share option reserve	14,994	15,541
Hedging reserve	(9,233)	(31,488)
Available-for-sale financial assets revaluation reserve	97,506	114,869
Retained profits	<u>1,769,314</u>	<u>1,661,789</u>
	<u>2,049,439</u>	<u>1,933,091</u>

Business Review

For the first three months of 2007, the Group continued to maintain positive growth momentum and achieved a 21.4% growth in annualised first year premium on individual new business to HK\$163.5 million. Excluding the premium from investment contracts which is not recognised as revenue under the current accounting standard, single and first year premium from insurance contracts slightly dropped 1.1% to HK\$74.7 million. Renewal premium increased 10.1% to HK\$408.9 million and total premium increased 8.2% to HK\$483.6 million. Agency commission and allowances increased 16.4% to HK\$112.4 million, in line with higher volume of new business. As a result of high new sales and associated agency commission and allowances, deferred acquisition costs increased by HK\$20.6 million. Total operating expenses increased 11.0% to HK\$416.9 million due to higher volume of new business and a larger inforce portfolio. Expense index was 155.2% (2006: 155.5%). LIMRA 13-month and 25-month persistency rates were 88.4% (2006: 88.7%) and 77.6% (2006: 78.2%), respectively. Renewal ratio was 102.4% (2006: 99.7%). Claim ratio was 88.4% (2006: 95.7%). Available-for-sale financial assets revaluation reserve was HK\$97.5 million as compared to HK\$114.9 million as at 31 December 2006.

Unaudited consolidated profit of the Group for the three months ended 31 March 2007 was HK\$107.5 million (2006: HK\$102.5 million).

The Board is pleased that the Group has continued to achieve solid growth in its business and is confident that the Group will continue to perform well.

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

Hong Kong, 10 May 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.