

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31st December, 2005.

Principal activities

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries comprise the provision of banking, insurance and investment services which are set out in greater detail in note 22 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The Group's profit for the year ended 31st December, 2005 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 34 to 134.

An interim dividend of HK2.2 cents per share, totalling approximately HK\$23,276,000, was paid on 14th October, 2005.

The directors recommend the payment of a final dividend of HK7.8 cents per ordinary share, totalling approximately HK\$82,527,000 in respect of the year ended 31st December, 2005, which will be payable on or before 8th June, 2006 in cash to shareholders on the register of members of the Company on 25th May, 2006. This recommendation has been incorporated of the financial statements as an allocation of the contributed surplus within the equity section in the Company's balance sheet. Further details of this accounting treatment are set out in note 2.5 to the financial statements.

Property, plant and equipment and investment properties

Details of movements in the property, plant and equipment, and investment properties of the Company and of the Group during the year are set out in notes 26 and 27 to the financial statements, respectively.

Share capital

There were no movements in either the Company's authorised or issued share capital during the year.

Distributable reserves

At 31st December, 2005, the Company's reserves available for cash distribution, calculated in accordance with the provisions of the Bermuda Companies Act 1981, amounted to HK\$421,411,000, of which HK\$82,527,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account and capital reserve, in the amount of HK\$770,811,000 in aggregate, may be distributed in the form of fully paid bonus shares.

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 35 to the financial statements and in the consolidated summary statement of changes in equity respectively.

Five year financial summary

The results, assets, liabilities and minority interests of the Group for the last five years, as extracted from the published audited financial statements and restated as appropriate, are summarised below:

Results

	Year ended 31st December,				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	1,108,457	1,058,791	1,017,700	878,462	853,517
Profit for the year attributable to:					
Equity holders of the parent	184,583	240,108	203,204	43,802	30,378
Minority interests	1,201	(10)	(647)	(77)	221
	185,784	240,098	202,557	43,725	30,599

Assets, liabilities and minority interests

	31st December,				
	2005 HK\$'000	2004 HK\$'000 (Restated)	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)
Total assets	18,905,353	16,620,125	15,442,672	14,969,903	15,348,788
Total liabilities	(15,216,903)	(13,186,126)	(12,145,754)	(11,847,869)	(12,240,348)
Minority interests	(28,572)	(27,371)	(27,381)	(5,238)	(10,266)
	3,659,878	3,406,628	3,269,537	3,116,796	3,098,174

Major customers

During the year, the Group derived less than 30% of its total income from its five largest customers.

As far as the directors are aware, none of the directors of the Company, or any of their associates and shareholders, which, to the knowledge of the directors own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers.

Major suppliers

The Group's major subsidiaries are banking and insurance companies, which are exempted from disclosing the particulars of suppliers. Accordingly, no such information has been disclosed.

Directors

The directors of the Company during the year were:

Robin Y.H. Chan, G.B.S., LL.D., J.P.*

Lau Ki Chit*

The Hon. Bernard Charnwut Chan*

Tan Sri Frank W.K. Tsao

Dr. Leo Tung Hai Lee, G.B.S., LL.D., J.P.

Ng Song Hin

Dr. The Hon. Philip Y.H. Wong, G.B.S.

Tan Eng Heng, B.B.M.(L)

Choedchu Sophonpanich

Kenneth Chi Lam Siao

Na Wu Beng

Yoshitaka Sawamura

Takashi Muraoka

Andrew Chiu Cheung Ma**

Anna Suk Han Chow**

Chan Yeow Toh

(alternate director to Tan Sri Frank W.K. Tsao)

Kosuke Furukawa

(alternate director to Takashi Muraoka)

Ko Wing Man, J.P.**

(appointed on 1st January, 2005)

Chatri Sophonpanich

(resigned on 15th January, 2005)

* *Executive directors*

** *Independent non-executive directors*

Directors (cont'd)

In accordance with Bye-law 87(2) of the Company's Bye-laws, Robin Y.H. Chan, Lau Ki Chit, Bernard Charnwut Chan, Ng Song Hin, Choedchu Sophonpanich and Kenneth Chi Lam Siao will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received independence confirmations from the independent non-executive directors, Andrew Chiu Cheung Ma, Anna Suk Han Chow and Ko Wing Man and still considers them to be independent.

Directors' service contracts

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' interests and short positions in shares and underlying shares

At 31st December, 2005, the interests of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Name of director	Number of ordinary shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
Robin Y.H. Chan	12,505,264	991,883	339,493,441 ⁽¹⁾	352,990,588	33.36
Lau Ki Chit	21,080	–	–	21,080	0.00
The Hon. Bernard Charnwut Chan	2,803,089	1,038,432	–	3,841,521	0.36
Tan Sri Frank W.K. Tsao	–	–	25,301,619 ⁽²⁾	25,301,619	2.39
Ng Song Hin	–	–	10,139,827 ⁽³⁾	10,139,827	0.96
Tan Eng Heng	346,360	–	–	346,360	0.03
Choedchu Sophonpanich	791,496	–	–	791,496	0.07
Anna Suk Han Chow	41,559	–	–	41,559	0.00

Notes:

- (1) Of the 339,493,441 shares, (i) 124,132,600 shares were held through Cosmos Investments Inc., (ii) 65,989,175 shares were held through Man Tong Company Ltd., (iii) 27,335,986 shares were held through Treasure Investments Inc., (iv) 27,520,105 shares were held through Bonham Strand Ltd., (v) 24,642,532 shares were held through Asia Panich Investment Co. (HK) Ltd., (vi) 49,738,457 shares were held through United Asia Enterprises Inc., (vii) 4,246,728 shares were held through United Asia Company Ltd. and (viii) 15,887,858 shares were held through Robinson Enterprise Ltd. Either such corporations are accustomed to act in accordance with the directions or instructions of Mr. Robin Y.H. Chan, or Mr. Robin Y.H. Chan is entitled to exercise (or taken under the SFO to be able to exercise) or control the exercise of one third or more of the voting power at general meetings of such corporations.
- (2) Tan Sri Frank W.K. Tsao was deemed to be interested in 25,301,619 shares that were held through Sable Investment Corporation, a company beneficially owned by Tan Sri Frank W.K. Tsao.
- (3) Mr. Ng Song Hin was deemed to be interested in 10,139,827 shares that were held through Cosmic International Inc. which was 40% held by Mr. Ng Song Hin.

Directors' interests and short positions in shares and underlying shares (cont'd)

In addition to the above, Robin Y.H. Chan has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31st December, 2005, none of the directors and chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' rights to acquire shares or debentures

At no time during the year were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

At 31st December, 2005, the following interests of 5% or more of the issued share capital of the Company were recorded in the Register of Interests in Shares and Short Positions required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company:

Name of shareholder	Notes	Number of ordinary shares held	Percentage of the Company's issued share capital
Asia General Holdings Ltd.	(a)	90,769,455	8.58
Bangkok Bank Public Company Limited		95,488,236	9.03
The Bank of Tokyo-Mitsubishi UFJ, Limited	(b)	83,253,264	7.87
Man Tong Company Ltd.	(c), (d)	65,989,175	6.24
Cosmos Investments Inc.	(d), (e)	269,620,398	25.48

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares (cont'd)

Notes:

- (a) *Asia General Holdings Ltd. was beneficially interested in 16,029,375 shares of the Company. Asia General Holdings Ltd. is also deemed to be interested in 13,803,957 shares held by its wholly-owned subsidiary, The Asia Insurance Co. Ltd. (Singapore), 23,978,935 shares held by its 74.58%-owned subsidiary, The Asia Life Assurance Society Ltd. and 36,957,188 shares held by its 89.83%-owned subsidiary, Univest Securities Ltd.*
- (b) *The Bank of Tokyo-Mitsubishi UFJ, Limited was beneficially interested in 83,253,264 shares of the Company, and its ultimate holding company is Mitsubishi UFJ Financial Group, Inc.*
- (c) *The ordinary shares are held by Man Tong Company Ltd., which is 60.5% owned by Cosmos Investments Inc.*
- (d) *These shares have been included in the interest disclosure of Mr. Robin Y.H. Chan as set out in the section "Directors' interests and short positions in shares and underlying shares" above.*
- (e) *Cosmos Investments Inc. was beneficially interested in 124,132,600 shares of the Company. Cosmos Investments Inc. is also deemed to be interested in 65,989,175 shares held by its 60.5%-owned subsidiary, Man Tong Company Ltd., 27,335,986 shares held by its wholly-owned subsidiary, Treasure Investments Inc., 27,520,105 shares held by its wholly-owned subsidiary, Bonham Strand Ltd. and 24,642,532 shares held by its 53.5%-owned subsidiary, Asia Panich Investment Co. (HK) Ltd.*

Save as disclosed above, as at 31st December, 2005, no persons, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Directors' interests in contracts

No director had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company or its subsidiaries were entered into or existed during the year.

No right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any person during the year ended 31st December, 2005.

Directors' interests in competing businesses

During the year and up to the date of this report, the following directors are considered to have interests in the following businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the directors of the Company were appointed as directors to represent the interests of the Company and/or the Group, pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), as set out below:

Name of director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of the businesses of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
Robin Y.H. Chan	Liu Chong Hing Bank Ltd.	Banking	Non-executive director
	The People's Insurance Company of China (Hong Kong), Limited	General insurance	Director
Lau Ki Chit	Summit Insurance (Asia) Ltd.	General insurance	Non-executive director
	UOB Insurance (HK) Ltd.	General insurance	Director
	The People's Insurance Company of China (Hong Kong), Limited	General insurance	Director
The Hon. Bernard Charnwut Chan	The People's Insurance Company of China (Hong Kong), Limited	General insurance	Director
Takashi Muraoka	Dah Sing Banking Group Limited	Banking	Non-executive director
Kosuke Furukawa	Dah Sing Financial Holdings Limited	Banking	Non-executive director

Directors' interests in competing businesses (cont'd)

Although the companies listed above operate in similar fields to certain operations of the Group, the Board believes that the directors concerned are able to manage any potential conflicts of interest arising from their respective directorships and/or interests in such companies.

As the Board is independent from the board of directors of these companies, the Group is capable of carrying on its businesses independently of, and at an arm's length from, the businesses of these companies.

Brief biographical details in respect of directors and senior management staff

Executive directors:

Robin Yau Hing Chan, G.B.S., LL.D., J.P., aged 73, is the Chairman of the Company. He has been working for the Group for 50 years. He is the Chairman of Asia Commercial Bank Limited ("Asia Commercial Bank") and Asia Insurance Company, Limited ("Asia Insurance"), both of which are wholly-owned subsidiaries of the Company, and a director of certain subsidiaries of the Company. Mr. Chan is a director of Cosmos Investments Inc., a substantial shareholder of the Company. He is also a director of PICC Life Insurance Company Limited, a joint venture company established in the People's Republic of China in which the Company has 10 percent shareholding. Mr. Chan was awarded the Knight Commander (Second Class) of the Most Noble Order of the Crown of Thailand by His Majesty, the King of Thailand and the Gold Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China. He is a Deputy to the Chinese National People's Congress and the Ex-officio Life Hon Chairman of The Chinese General Chamber of Commerce, Hong Kong. He is also a director of and an adviser to numerous other companies and has extensive experience in the banking industry. He is the brother of Mr. Choedchu Sophonpanich.

Lau Ki Chit, aged 75, is an executive director of the Company. Mr. Lau has been working for the Group for 47 years and is the Chairman of the board of executive directors of Asia Insurance. He joined Asia Insurance in 1959. With over 40 years' experience in the insurance industry, he is primarily responsible for the overall policy of the Asia Insurance Group. Mr. Lau holds an engineering degree in aeronautics. He is also a director of Asia Commercial Bank and several other subsidiaries of the Group. Mr. Lau has been the Member of the Governing Board of the Hong Kong Federation of Insurers and the Vice Chairman of the General Insurance Council. He has served as Councilor of the Motor Insurance Council, as well as Committee Member of the Insurance Claims Complaints Bureau. In addition, Mr. Lau holds directorships in various external companies, including Univest Securities Ltd. As to community services, Mr. Lau sits on the board of directors of the HK Tuberculosis, Chest & Heart Diseases Association and is a member of the Hospital Governing Committee of Ruttonjee Hospital, Tang Shiu Kin Hospital and Grantham Hospital. He is the Permanent Honourable Chairman of Chiu Chow Association Building (Property Holdings) Ltd., and is the Honourable Chairman of the Chiu Chow Chamber of Commerce. He has been a director of the Tung Wah Group of Hospitals, the President of the Rotary Club of Hong Kong Island West and has served as a member in a number of social service organisations.

Brief biographical details in respect of directors and senior management staff (cont'd)

Executive directors: (cont'd)

The Hon. Bernard Charnwut Chan, aged 41, is an executive director and the President of the Company. Mr. Chan has been working for the Group for 16 years. He is the youngest son of Mr. Robin Y.H. Chan, the Chairman of the Company. He graduated from Pomona College in California, U.S.A., and holds the positions of the President of Asia Insurance and director of Asia Commercial Bank. In addition to directorships in many other subsidiaries of the Company, he also sits on the boards of City e-Solutions Limited, Peaktop International Holdings Limited, Pioneer Global Group Limited, Yau Lee Holdings Limited, Chen Hsong Holdings Limited and New Heritage Holdings Limited, which are all listed on the Stock Exchange. Mr. Chan is an adviser to Bangkok Bank Public Company Limited, Hong Kong Branch. He has also been appointed as the Deputy Chairman of Lingnan University, a member of the Insurance Advisory Committee and the Greater Pearl River Delta Business Council. In addition, he serves as the Chairperson of The Hong Kong Council of Social Service, the Chairman of the Hong Kong-Thailand Business Council and the Standing Committee on Disciplined Services Salaries & Conditions of Service, the Vice Chairman of the Oxfam Hong Kong, a member of both the Executive Council and Legislative Council of the Hong Kong Special Administrative Region.

Non-executive directors:

Tan Sri Frank Wen King Tsao, aged 80, is a non-executive director of the Company and Asia Insurance. Tan Sri Tsao has been with the Group for 39 years. He is the founder of IMC Holdings Ltd. ("IMC") and has over 50 years' experience in the shipping industry. He had been the Executive Chairman of IMC since its formation in 1966 under the name of International Maritime Carriers (Holdings) Limited. From 1st January, 1995 to 5th May, 1997, Tan Sri Tsao assumed the position of Honorary Chairman of IMC. Currently, he serves as the Chairman of each of The Centre for Maritime Studies – National University of Singapore,, Suntec City Development Pte Ltd., and Singapore and Great Asia Industrial Development Co. Ltd. He is also a director of numerous other companies in Hong Kong and overseas.

Brief biographical details in respect of directors and senior management staff (cont'd)

Non-executive directors: (cont'd)

Dr. Leo Tung Hai Lee, G.B.S., LL.D., J.P., aged 84, had been an independent non-executive director of the Company from 18th November, 1994, until his re-designation as a non-executive director on 27th September, 2004. Dr. Lee is the Chairman of Tung Tai Group of Companies and an independent non-executive director of several other publicly listed companies in Hong Kong, including Beijing Enterprises Holdings Limited. He is a member of a number of public services committees and heads many social service organisations, including serving as an adviser of the Advisory Board of the Tung Wah Group of Hospitals, Chairman of the Association of Chairmen of the Tung Wah Group of Hospitals, Chairman of Friends of Hong Kong Association and Vice President of China Overseas Friendship Association. Dr. Lee served as a Standing Committee member of the eighth and ninth National Committee of the Chinese People's Political Consultative Conference; an adviser on Hong Kong Affairs to the Hong Kong & Macau Affairs Office of the State Council and the Xinhua News Agency, Hong Kong Branch; a member of the Preparatory Committee for the Hong Kong Special Administrative Region; and a member of the Hong Kong Special Administrative Region Selection Committee. He has been honoured with awards by different governments, which include the Cavaliere di Gran Croce of Italy, the O.B.E. of Great Britain, the Chevalier Legion d'Honneur of France, the Commandeur de l'Ordre de Leopold II of Belgium and the Gold Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China. Dr. Lee has over 40 years of experience in business management.

Ng Song Hin, aged 72, is a non-executive director of the Company and Asia Commercial Bank. He has been with the Group for 25 years. Mr. Ng was educated in Australia. He is also the Chairman of Ng Song Choon & Brothers Sdn. Bhd., Kinta Realty Sdn. Bhd., KIB Development Sdn. Bhd. and Ikatan Bina Sdn. Bhd. in Malaysia. He is also the Deputy Chairman of Shenzhen Xengzhong Building Material Co., Ltd., and a director of Pen Apparel Sdn. Bhd. and Imperial Garments Sdn. Bhd. in Malaysia. He was the President of the Malaysian Textiles Manufacturers Association from 1979 to 1981.

Brief biographical details in respect of directors and senior management staff (cont'd)

Non-executive directors: (cont'd)

Dr. The Hon. Philip Yu Hong Wong, G.B.S., aged 67, has been an independent non-executive director of the Company from 19th October, 1990, until his re-designation as a non-executive director on 3rd September, 2004. He is also a non-executive director of Asia Insurance. He has been with the Group for 15 years. Dr. Wong attained his BSc., MSc., JD and PhD degrees in 1963, 1967, 1982 and 1987, respectively. He is the Chairman and Chief Executive of Winco Paper Products Co. Ltd. He is also a member of the Legislative Council of Hong Kong Special Administrative Region, a Deputy to the Chinese National People's Congress, the Treasurer of the Chinese General Chamber of Commerce and a member of the Hong Kong Trade Development Council. Dr. Wong is currently the non-executive Chairman of Qin Jia Yuan Media Services Company Limited and an independent non-executive director of Hop Hing Holdings Limited and Goldlion Holdings Limited, both of which are listed on the Stock Exchange.

Tan Eng Heng, B.B.M. (L), aged 75, is a non-executive director of the Company and Asia Insurance. Mr. Tan has been with the Group for 19 years. He had been the Chairman of The Asia Insurance Company Limited, Singapore, and The Asia Life Assurance Society Limited ("Asia Life"), Singapore. He had been with Asia Life for 45 years until October, 2004 and has extensive experience in insurance and related businesses. He is a director of Bukit Sembawang Estates Limited and Singapore Reinsurance Corporation Limited. Mr. Tan was the Deputy Chairman of the Police and Civil Defence Services Commission and a member of the Public Service Commission and Legal Service Commission until January, 1998. He was awarded The Public Service Star and The Public Service Star (Bar) in 1984 and 1994, respectively, for his contribution to the Public Service Commission. Mr. Tan has a Bachelor of Civil Engineering degree from Union College and a Master of Science (Engineering) degree from the University of Michigan, U.S.A.

Choedchu Sophonpanich, aged 59, is a non-executive director of the Company and has been with the Group for 20 years. He is also a non-executive director of Asia Commercial Bank and an executive director of Asia Insurance. He is the brother of Robin Y.H. Chan, the Chairman of the Company. He is also a director of Cosmos Investments Inc., a substantial shareholder of the Company and the Chairman of the Executive Board of Directors of Bangkok Life Assurance Company Limited. He graduated with a BSc (Econ) degree from the London School of Economics.

Kenneth Chi Lam Siao, aged 58, had been an independent non-executive director of the Company from 28th June, 1999 until his re-designation as non-executive director on 30th September, 2004. He is the founder and senior partner of Messrs. Siao, Wen and Leung, Solicitors and Notaries. He obtained his Bachelor of Commerce degree (B.Com) from McGill University, Canada and his Bachelor of Laws degree (LL.B) from King's College, the University of London. He is a Notary Public, Hong Kong and a China-Appointed Attesting Officer. Mr. Siao has extensive experience in banking, commercial, corporate and property matters. He currently acts as legal adviser to a number of banking and financial institutions.

Brief biographical details in respect of directors and senior management staff (cont'd)

Non-executive directors: (cont'd)

Na Wu Beng, aged 50, was appointed as a non-executive director of the Company on 16th February, 2004. He is also a non-executive director of Asia Commercial Bank. Mr. Na is currently the Executive Vice President of Oversea-Chinese Banking Corporation Limited and has extensive experience in the banking industry.

Yoshitaka Sawamura, aged 54, was appointed as a non-executive director of the Company on 1st July, 2004. Mr. Sawamura is currently the Operating Officer of the Overseas Business Unit of Aioi Insurance Company, Limited ("Aioi Insurance"). He graduated from Waseda University with a degree in Economics and joined The Chiyoda Fire & Marine Insurance Company, Limited (now known as Aioi Insurance) in 1974, and has extensive experience in the insurance business.

Takashi Muraoka, aged 51, was appointed as a non-executive director of the Company on 3rd September, 2004. He is also a non-executive director of Asia Commercial Bank. Mr. Muraoka is currently the Executive Officer and General Manager of Asia Business Division of The Bank of Tokyo-Mitsubishi UFJ, Limited (being a substantial shareholder holding 5% or more of the issued share capital of the Company) and has extensive experience in the banking business. He obtained his Bachelor of Laws degree from The Tokyo University in 1978 and joined UFJ Bank (previously Sanwa Bank and now known as The Bank of Tokyo-Mitsubishi UFJ, Limited) in 1978.

Andrew Chiu Cheung Ma, aged 64, was appointed as an independent non-executive director of the Company on 3rd September, 2004. He is also an independent non-executive director of Asia Commercial Bank and Asia Insurance. Mr. Ma is currently a director of Andrew Ma DFK (CPA) Limited and has over 30 years of experience in accounting and finance. He received his bachelor's degree, majoring in economics from the London School of Economics and Political Science (University of London) in England. Mr. Ma is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of the Hong Kong Institute of Certified Public Accountants. He was a past President of Rotary Club of Hong Kong Island West. Currently, he is the President of The Hong Kong Federation of Youth Groups, the Vice President of Chiu Yang Residents Association Limited and the Vice President of Hong Kong Chiu Chow Chamber of Commerce Limited. He is currently also an independent non-executive director of a few other companies listed on the Stock Exchange.

Brief biographical details in respect of directors and senior management staff (cont'd)

Non-executive directors: (cont'd)

Anna Suk Han Chow, aged 58, was appointed as an independent non-executive director of the Company on 27th September, 2004. Ms. Chow is a practising solicitor and is currently a partner of Messrs. Peter C. Wong, Chow and Chow. She is also an independent non-executive director of each of Asia Commercial Bank and Asia Insurance. Ms. Chow was admitted as a solicitor of the Supreme Court of England and of Hong Kong respectively in 1973. She has been in legal practice in Hong Kong since 1973. She was appointed as a Notary Public by the Faculty Office of Archbishop of Canterbury in 1984 and as a China-Appointed Attesting Officer by the Ministry of Justice, The People's Republic of China in 1991. Ms. Chow is a member of a number of public services committees. She is currently serving as a Deputy Chairman of the Inland Revenue Board of Review, a member of the Administrative Appeals Board, a member of the Railway Objections Hearing Panel and a member of ICAC Complaints Committee. She was also a past member of the Solicitors Disciplinary Tribunal Panel of the Law Society, the Criminal Injuries Compensation Board and the Law Enforcement Injuries Compensation Board. She is also a director of Chi Lin Nunnery, Poh Yea Ching Shea Limited and Chi Hong Ching Yuen Limited and a trustee of The D.H. Chen Foundation. Ms. Chow is an honorary legal advisor to The Federation of Medical Societies of Hong Kong, and a director and the secretary to the Association of China-Appointed Attesting Officers Limited.

Ko Wing Man, J.P., aged 48, was appointed as an independent non-executive director of the Company on 1st January, 2005. He is also an independent non-executive director of each of Asia Commercial Bank and Asia Insurance. Dr. Ko is currently a director and shareholder of Congruence Medical Services Limited and a director of Hong Kong Shanghai Medical Group Limited. Dr. Ko has been the Director (Professional Services and Human Resources) of the Hospital Authority. He obtained his Bachelor of Medicine and Bachelor of Surgery degree from The University of Hong Kong and Master of Health Administration degree from the University of New South Wales, Australia. Dr. Ko is a member of The Chinese People's Political Consultative Conference Chaozhou Committee and he also serves as a committee member, advisor and director of a number of public services organisations.

Chan Yeow Toh, aged 50, was appointed as an alternate director to Tan Sri Frank Wen King Tsao of the Company on 1st November, 2004. Ms. Chan is also an alternate director to Tan Sri Tsao of Asia Insurance. She joined the IMC Group in 1990 and is presently a Director of IMC Development & Management Limited. She is a Fellow Member of The Institute of Chartered Secretaries & Administrators, the United Kingdom, and The Malaysian Association of Company Secretaries. She was a Company Secretary of IMC Holdings Limited from 1990 until 2002 when it was delisted from the Stock Exchange. She is also director of a number of other companies in Hong Kong and overseas.

Brief biographical details in respect of directors and senior management staff (cont'd)

Non-executive directors: (cont'd)

Kosuke Furukawa, aged 52, was appointed as an alternate director to Takashi Muraoka of the Company on 1st November, 2004. He is also an alternate director to Mr. Muraoka of Asia Commercial Bank. Mr. Furukawa is currently the Deputy General Manager of the Hong Kong Branch of the Bank of Tokyo-Mitsubishi UFJ, Limited (being a substantial shareholder holding 5% or more of the issued share capital of the Company). He obtained his Bachelor of Business degree from Osaka City University in 1977 and joined UFJ Bank (previously Tokai Bank and now known as The Bank of Tokyo-Mitsubishi UFJ, Limited) in 1977. He is currently a non-executive director of Dah Sing Financial Holdings Limited.

Employees and remuneration policy

The total number of employees of the Group was approximately 566 at the balance sheet date (2004: 556). Annual remuneration increments and promotions are determined through a performance-oriented appraisal system, with the basic pay structure being reviewed from time to time to reflect market trends. In addition to the basic salary, employees also receive an annual bonus based on both the Group's and their individual performance. Housing loans, and medical and retirement benefits schemes are made available to all levels of personnel. There was no share option scheme in operation during the year. The Group also offers various training and induction programmes to its employees.

Connected transaction

On 22nd April, 2005, AFH Investments (BVI) Limited (the "Seller"), a wholly-owned subsidiary of the Company, disposed of its entire shareholdings in Great Asia Industrial Development Co. Ltd ("Great Asia"), being 1,000,000 ordinary shares and representing 5% of the entire issued share capital of Great Asia, to IMC Properties Incorporated (the "Purchaser") at a consideration of US\$1,235,941 (approximately HK\$9,640,340) ("Connected Disposal"). The consideration was determined after arm's length negotiations between the Seller and the Purchaser with reference to the audited net asset value of Great Asia as at 31st December, 2003. The purpose of the Connected Disposal by the Seller was to consolidate the Group's investment portfolio and to focus on the core financial services business.

As the Purchaser was ultimately owned by Tan Sri Frank W.K. Tsao, a non-executive director of the Company, the Purchaser was a connected person of the Company and the Connected Disposal constituted a connected transaction for the Company under the Listing Rules. An announcement dated 22nd April, 2005 was made by the Company in compliance with the Listing Rules.

Purchase, redemption or sale of listed securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Donations

During the year, the Group made charitable donations totalling HK\$882,000 (2004: HK\$1,784,500).

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company believes that the number of shares of the Company which are in the hands of the public is above the relevant prescribed minimum percentage as at the date of this report.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Compliance with the Code on Corporate Governance Practices

The Company complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the year.

Model Code for Securities Transactions

The Company had adopted a code of conduct regarding directors' securities transactions (the "Code of Conduct") on terms no less exacting than the required standard in the Model Code as set out in Appendix 10 to the Listing Rules.

All directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Code of Conduct and the Model Code during the year ended 31st December, 2005.

Audit committee

The audit committee is responsible for reviewing the Group's financial controls, internal control and risk management systems, annual reports and accounts, and interim reports. All issues raised have been addressed by management. The work and findings of the audit committee have been reported to the Board. During the year, no issues brought to the attention of management and the Board were of sufficient importance to require disclosure in the annual report. The present members of the audit committee are Andrew Chiu Cheung Ma (chairman of the audit committee), Kenneth Chi Lam Siao, Ng Song Hin, Anna Suk Han Chow and Ko Wing Man. The majority of the members are independent non-executive directors. The Chairman has appropriate professional qualifications and experience in financial matters.

Post balance sheet event

Details of the significant post balance sheet event of the Group are set out in note 43 to the financial statements.

Auditors

Ernst & Young retire and a resolution of their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Robin Y.H. Chan

Chairman

Hong Kong
27th March, 2006