

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31st December, 2006.

Principal activities

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in detail in note 17 to the financial statements. During the year, the Group has disposed of its banking business via the disposal of Asia Commercial Bank Limited and its subsidiaries. Details of this disposal are set out in note 13 to the financial statements. There were no other 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, 2006 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 33 to 125.

An interim dividend of HK5.0 cents per share and a special dividend of HK\$1.2 per share, totalling approximately HK\$1,322,527,000 was paid on 19th October, 2006.

The directors recommend the payment of a final dividend of HK11.0 cents per ordinary share, totalling approximately HK\$115,801,000 in respect of the year, which will be payable on or about 14th June, 2007 in cash to shareholders on the register of members of the Company on 28th May, 2007. This recommendation has been incorporated into the financial statements as an allocation of the retained profits within the equity section in the Group's and Company's balance sheets. Further details of this accounting treatment are set out in note 2.4 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 14 and 15 to the financial statements, respectively.

Share capital

Details of movements in the Company's share capital, together with the reasons therefor, during the year are set out in note 30 to the financial statements.

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 31 to the financial statements and in the consolidated summary statement of changes in equity, respectively.

Distributable reserves

At 31st December, 2006, the Company's reserves available for cash distribution, calculated in accordance with the provisions of the Bermuda Companies Act 1981, amounted to HK\$2,564,041,000, of which HK\$115,801,000 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\$620,591,000 in aggregate, may be distributed in the form of fully paid bonus shares.

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,				
2006	2005	2004	2003	2002	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(Note)	(Note)	(Note)	(Note)	
CONTINUING OPERATIONS					
Revenue	740,338	792,503	747,033	734,501	572,345
Profit for the year from continuing operations	416,311	102,387	142,165	147,235	19,931
DISCONTINUED OPERATION					
Profit for the year from a discontinued operation	2,677,299	83,397	97,933	55,322	23,794
Profit for the year	3,093,610	185,784	240,098	202,557	43,725
Profit for the year attributable to:					
Equity holders of the Company	3,092,434	184,583	240,108	203,204	43,802
Minority interests	1,176	1,201	(10)	(647)	(77)
	3,093,610	185,784	240,098	202,557	43,725

Five year financial summary (cont'd)

Note: Following the disposal of the Group's banking business during the year, the principal businesses of the Group now mainly comprise of insurance underwriting and investment trading and holding, and the presentation of the results for the years ended 31st December, 2002, 2003, 2004 and 2005 have been revised accordingly.

Assets, liabilities and minority interests

	31st December,				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Total assets	6,819,800	18,905,353	16,620,125	15,442,672	14,969,903
Total liabilities	(1,374,426)	(15,216,903)	(13,186,126)	(12,145,754)	(11,847,869)
Minority interests	(29,748)	(28,572)	(27,371)	(27,381)	(5,238)
	5,415,626	3,659,878	3,406,628	3,269,537	3,116,796

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 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 and up to the date of the report were:

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

Lau Ki Chit**[#]

The Hon. Bernard Charnwut Chan, G.B.S., J.P.*

Stephen Tan* (appointed on 30th May, 2006)

Tan Sri Frank Wen King Tsao

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

Ng Song Hin

Dr. The Hon. Philip Yu Hong Wong, G.B.S.

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

Choedchu Sophonpanich

Kenneth Chi Lam Siao

Na Wu Beng

Daiji Goto

(appointed on 1st July, 2006)

Andrew Chiu Cheung Ma**

Anna Suk Han Chow**

Ko Wing Man, J.P.**

Chan Yeow Toh

(alternate director to Tan Sri Frank Wen King Tsao)

Yoshitaka Sawamura

(resigned on 1st July, 2006)

Takashi Muraoka

(resigned on 27th September, 2006)

Kosuke Furukawa

(alternate director to Takashi Muraoka, resigned on 27th September, 2006)

* *Executive directors*

** *Independent non-executive directors*

[#] *On 27th March, 2007, Mr. Lau Ki Chit was redesignated by the Board as a non-executive director with effect from 28th March, 2007*

In accordance with Bye-law 87(2) of the Company's Bye-laws, Tan Sri Frank Wen King Tsao, Dr. Leo Tung Hai Lee, Mr. Tan Erig Heng, Mr. Na Wu Beng and Dr. Philip Yu Hong Wong will retire at the forthcoming annual general meeting and are eligible for re-election. Tan Sri Frank Wen King Tsao, Dr. Leo Tung Hai Lee and Dr. Philip Yu Hong Wong will offer themselves for re-election.

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. Stephen Tan and Mr. Daiji Goto will hold office until the forthcoming general meeting and, being eligible, will offer themselves for re-election.

The Company has received independence confirmations from the independent non-executive directors, Mr. Andrew Chiu Cheung Ma, Ms. Anna Suk Han Chow and Dr. 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' and chief executive's interests and short positions in shares and underlying shares

At 31st December, 2006, the interests of the directors and chief executive 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			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Robin Y.H. Chan	–	545,067,712 ⁽¹⁾	545,067,712	51.78
Lau Ki Chit	21,080	–	21,080	0.00
Tan Sri Frank W.K. Tsao	–	25,301,619 ⁽²⁾	25,301,619	2.40
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	0.08
Anna Suk Han Chow	41,559	–	41,559	0.00

Notes:

- (1) Mr. Robin Y.H. Chan was deemed to be interested in 545,067,712 shares that were held by Givemore Investments Limited. More than one third of the issued share capital of Givemore Investments Limited is held by Cosmos Investments Inc. These corporations or their directors are accustomed to act in accordance with the directions or instructions of Mr. Robin Y.H. Chan.
- (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' and chief executive's interests and short positions in shares and underlying shares (cont'd)

In addition to the above, Mr. 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, 2006, none of the directors and chief executive had registered an interest or a 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 director 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, 2006, 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
Cosmos Investments Inc.	(a), (b)	545,067,712	51.78
Givemore Investments Limited	(a)	545,067,712	51.78
Bangkok Bank Public Company Limited		95,488,236	9.07

Notes:

- (a) *These shares have been included in the interest disclosure of Mr. Robin Y.H. Chan as set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above.*
- (b) *Cosmos Investments Inc. was deemed to be interested in 545,067,712 shares that were held by Givemore Investments Limited since Cosmos Investments Inc. holds more than one-third of the issued share capital of Givemore Investments Limited.*

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

Save as disclosed above, as at 31st December, 2006, no other persons had registered an interest or a 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, or have any such rights been exercised by, any person during the year ended 31st December, 2006.

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	The People's Insurance Company of China (Hong Kong), Limited	General insurance	Director
Lau Ki Chit	UOB Insurance (H.K.) Limited	General insurance	Director
The Hon. Bernard Charnwut Chan	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

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 of the Company 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 74, is the Chairman and an executive director of the Company. Mr. Chan has been working for the Group for 51 years. He is the Chairman of Asia Insurance Company, Limited (“Asia Insurance”), a wholly-owned subsidiary of the Company, and a director of certain subsidiaries of the Company. Mr. Chan is a director of Givemore Investments Limited which is the controlling shareholder of the Company. He is also a director of PICC Life Insurance Company Limited, a company established in the People’s Republic of China. 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 Honorary 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. Mr. Chan is the father of Mr. Stephen Tan and The Hon. Bernard Charnwut Chan and is the brother of Mr. Choedchu Sophonpanich.

Lau Ki Chit, aged 76, has been an executive director of the Company and Asia Insurance until his redesignation as non-executive director of the Company and Asia Insurance with effect from 28th March 2007. Mr. Lau has been working for the Group for 48 years and was the Chairman of the board of executive directors of Asia Insurance, and a director of several other subsidiaries of the Group. He joined Asia Insurance in 1959. With over 40 years’ experience in the insurance industry, he was primarily responsible for the overall policy of the Asia Insurance Group. Mr. Lau holds an engineering degree in aeronautics. 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. 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) Limited, and is the Honourable Chairman of the Chiu Chow Chamber of Commerce. He has been a member of the Advisory Board of the Hong Kong Export Credit Insurance Corporation and a director of the Tung Wah Group of Hospitals. He has served as the President of the Rotary Club of Hong Kong Island West and also 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, G.B.S., J.P., aged 42, is an executive director and the President of the Company and Asia Insurance. Mr. Chan has been working for the Group for 17 years. He is the son of Mr. Robin Y.H. Chan, the Chairman and an executive director of the Company, the brother of Mr. Stephen Tan, an executive director of the Company, and the nephew of Mr. Choedchu Sophonpanich, a non-executive director of the Company and the brother of Mr. Robin Y.H. Chan. He graduated from Pomona College in California, U.S.A. In addition to directorships in other subsidiaries of the Company, he also sits on the boards of City e-Solutions Limited, Peaktop International Holdings Limited, Yau Lee Holdings Limited, Chen Hsong Holdings Limited, New Heritage Holdings Limited, Kingboard Laminates Holdings Limited and China Resources Enterprise, Limited, which are all listed on the Stock Exchange. Mr. Chan is also a director of Givemore Investments Limited, the controlling shareholder of the Company. 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, the Antiquities Advisory Board and the Greater Pearl River Delta Business Council. In addition, he serves as the Chairperson of The Hong Kong Council of Social Service and the Chairman of the Hong Kong-Thailand Business Council, the Vice Chairman of the Oxfam Hong Kong and a member of both the Executive Council and the Legislative Council of the Hong Kong Special Administrative Region.

Stephen Tan, aged 53, was appointed as an executive director of the Company on 30th May, 2006. Mr. Tan has been working for the Group for 20 years. In addition to directorships in other subsidiaries of the Group, Mr. Tan also sits on the boards of Bank Consortium Trust Limited, Hong Kong Life Insurance Limited, The Chinese General Chamber of Commerce and Hong Kong Chiu Chow Chamber of Commerce. Mr. Tan serves as the Vice Chairman of the Chinese Entrepreneurs Organization and the President of Rotary Club of The Peak. Mr. Tan is a voting member of Tung Wah Group of Hospitals Advisory Board, a founding member of Hong Kong-Thailand Business Council, a trustee of Outward Bound Trust of Hong Kong and a trustee of Hong Kong Jockey Club Music and Dance Fund. Mr. Tan has also been appointed as a committee member of Shenzhen Municipal Committee of The Chinese People's Political Consultative Conference, a member of Sports Commission of Hong Kong Special Administrative Region, a honorary advisor of the new Graduate School of Business of the Hong Kong Polytechnic University, a member of the Financial Matters Advisory Group of the Consultative Committee on the Core Arts & Cultural Facilities of the West Kowloon Cultural District and the governor of Hong Kong Sinfonietta Limited. Mr. Tan was educated in the U.S.A. and holds a bachelor's degree in Business Administration at Rutgers University, and a master degree in Business Administration at St. John's University. He is the son of Mr. Robin Y.H. Chan, the Chairman and an executive director of the Company, the brother of The Hon. Bernard Charnwut Chan, the President and an executive director of the Company, and the nephew of Mr. Choedchu Sophonpanich, a non-executive director of the Company and the brother of Mr. Robin Y.H. Chan.

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

Non-executive directors:

Tan Sri Frank Wen King Tsao, aged 81, is a non-executive director of the Company and Asia Insurance. Tan Sri Tsao has been with the Group for 40 years. He is the founder of IMC Holdings Limited ("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., Singapore and Great Asia Industrial Development Co. Ltd. He is also a director of numerous other companies in Hong Kong and overseas.

Dr. The Hon. Leo Tung Hai Lee, G.B.M., G.B.S., LL.D., J.P., aged 85, 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 or non-executive director of several 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 as Vice President of China Overseas Friendship Association, Chairman of Friends of Hong Kong Association, Adviser of the Advisory Board of the Tung Wah Group of Hospitals and Chairman of the Association of Chairmen of the Tung Wah Group of Hospitals. Dr. Lee served as a Standing Committee Member of the eighth and ninth National Committees 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 Selection Committee for the First Government of the HKSAR. He has been honoured with awards by different governments, which include Cavaliere di Gran Croce of Italy, O.B.E. of Great Britain, Chevalier Legion d'Honneur of France, Commandeur de l'Ordre de Leopold II of Belgium and Gold Bauhinia Star of the Government of the HKSAR in 1999. Dr. Lee was awarded the highest honour of the Grand Bauhinia Medal in July 2006 by the Government of the HKSAR. Dr. Lee has over 40 years of experience in business management.

Ng Song Hin, aged 73, is a non-executive director of the Company. Mr. Ng has been with the Group for 26 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 68, 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 16 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 Life Honorary Chairman 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 which is listed on the Stock Exchange.

Tan Eng Heng, B.B.M. (L), aged 76, is a non-executive director of the Company and Asia Insurance. Mr. Tan has been with the Group for 20 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 60, is a non-executive director of the Company and has been with the Group for 21 years. He is also an executive director of Asia Insurance. He is the brother of Mr. Robin Y.H. Chan, the Chairman and an executive director of the Company. He is also a director of Givemore Investments Limited which is the controlling 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.

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

Non-executive directors: (cont'd)

Kenneth Chi Lam Siao, aged 59, had been an independent non-executive director of the Company from 28th June, 1999, until his re-designation as a 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 in 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.

Na Wu Beng, aged 51, was appointed as a non-executive director of the Company on 16th February, 2004. Mr. Na is currently the Executive Vice President of Oversea-Chinese Banking Corporation Limited and has extensive experience in the banking industry.

Daiji Goto, aged 48, was appointed as a non-executive director of the Company on 1st July, 2006. Mr. Goto graduated from the Department of Commerce in the School of Commerce, Meiji University, Japan. He is currently the Staff General Manager and Marketing Group Leader of International Department of Aioi Insurance Company, Limited ("Aioi Insurance"), a shareholder of the Company. He joined The Chiyoda Fire & Marine Insurance Company, Limited (now known as Aioi Insurance) in 1982 and has extensive experience in the insurance business.

Andrew Chiu Cheung Ma, aged 65, has been an independent non-executive director of the Company since 3rd September, 2004. Mr. Ma is a director of Andrew Ma DFK (CPA) Limited. He has more than 30 years' experience in accounting and finance. He received his bachelor's degree in economics from the London School of Economics and Political Science (University of London) in England. Mr. Ma is a fellow member of the Institute of Chartered Accountants in England & Wales and a fellow member (practicing) of the Hong Kong Institute of Certified Public Accountants. He is also a fellow member of The Hong Kong Institute of Directors and The Taxation Institute of Hong Kong. He is currently also an independent non-executive director of several other listed companies in Hong Kong.

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

Non-executive directors: (cont'd)

Anna Suk Han Chow, aged 59, was appointed as an independent non-executive director of the Company on 27th September, 2004. Ms. Chow is a practicing solicitor and is currently a partner of Messrs. Peter C. Wong, Chow and Chow. She is also an independent non-executive director of 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 Railway Objections Hearing Panel and a member of ICAC Complaints Committee. Since 1st February 2007, she has been appointed as a chairman of the Appeal Tribunal under Building Ordinance (Cap.123). She was also a past member of the Solicitors Disciplinary Tribunal Panel of the Law Society, the Criminal Injuries Compensation Board, the Law Enforcement Injuries Compensation Board and the Administrative Appeals 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 the 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 49, was appointed as an independent non-executive director of the Company on 1st January, 2005. He is also an independent non-executive director of 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 51, 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 the 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.

Employees and remuneration policy

The total number of employees of the Group was approximately 239 at the balance sheet date (2005: 566). 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. 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.

Purchase, redemption or sale of listed securities of the Company

During the year, the Company repurchased certain of its shares on the Stock Exchange through its wholly-owned subsidiary, Asia Investment Services (HK) Limited, and these shares were cancelled by the Company. Further details of these transactions are set out in note 30 to the financial statements.

Except as disclosed above, 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\$4,081,000 (2005: HK\$882,000).

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 were in the hands of the public was 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.

Corporate Governance

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout 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, 2006.

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 of directors (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 Mr. Andrew Chiu Cheung Ma (Chairman of the Audit Committee), Mr. Kenneth Chi Lam Siao, Mr. Ng Song Hin, Ms. Anna Suk Han Chow and Dr. Ko Wing Man. The majority of the members are independent non-executive directors. The Chairman of the Audit Committee has appropriate professional qualifications and experience in financial matters.

Post Balance Sheet Event

Details of the significant post balance sheet event are set out in note 49 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, 2007