1. CORPORATE INFORMATION

Asia Financial Holdings Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at 16th Floor, Worldwide House, 19 Des Voeux Road Central, Hong Kong.

The principal activities of the Group comprise the provision of underwriting of general and life insurance. During the year, following the disposal of Asia Commercial Bank Limited and its subsidiaries (the "ACB Group"), previously wholly-owned subsidiaries of the Company, the Group ceased its banking business. 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.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company is Givemore Investments Limited, which was incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the provisions of the Hong Kong Companies Ordinance applicable to insurance companies. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments, securities measured at fair value through profit or loss and available-for-sale securities, which have been measured at fair value and certain buildings, which were carried at 1990 valuation. Properties held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st December, 2006. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. The adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

• HKAS 21 Amendment	Net Investment in a Foreign Operation
• HKAS 27 Amendment	Consolidated and Separate Financial Statements: Amendments as a consequence of the Companies (Amendment) Ordinance 2005
• HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
• HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
• HKAS 39 Amendment	The Fair Value Option
• HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 The Effects of Changes in Foreign Exchange Rates

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31st December, 2006 or 31st December, 2005.

(b) HKAS 27 Consolidated and Separate Financial Statements

The adoption of the revised HKAS 27 has resulted in a change in accounting policy relating to the definition of a subsidiary for the purpose of the consolidated financial statements as described in note 2.4 "Summary of significant accounting policies" below.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (cont'd)

(c) HKAS 39 Financial Instruments: Recognition and Measurement

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered as insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has extended the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(d) HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease

The Group has adopted this interpretation as of 1st January, 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in these financial statements:

- HKAS 1 Amendment — Capital Disclosures
- HKFRS 7 — Financial Instruments: Disclosures
- HK(IFRIC)-Int-7 — Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
- HK(IFRIC)-Int 8 — Scope of HKFRS 2
- HK(IFRIC)-Int 9 — Reassessment of Embedded Derivatives
- HK(IFRIC)-Int 10 — Interim Financial Reporting and Impairment
- HK(IFRIC)-Int 11 — Group and Treasury Share Transactions

HKAS 1 Amendment shall be applied for annual periods beginning on or after 1st January, 2007. This revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1st January, 2007. This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10 and HK(IFRIC)-Int 11 shall be applied for annual periods beginning on or after 1st March, 2006, 1st May, 2006, 1st June, 2006, 1st November, 2006 and 1st March, 2007, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, the adoption of these new and revised HKFRSs should not have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets;

(ii) fees and commission income are recognised when services are rendered;

(iii) premiums from direct underwriting and reinsurance businesses are recorded based on insurance policy contracts incepted and advices received from the cedents during the financial year, respectively, and are recognised as income when risk coverage is provided to the insured or the cedants;

(iv) interest income on finance leases is recognised on the basis as set out below under the heading of "Leases";

(v) rental income, on a time proportion basis over the lease terms; and

(vi) dividend income, when the shareholder's right to receive payment has been established.

Commission expenses and other acquisition costs

Commission expenses and other acquisition costs relating to the underwriting business are not deferred and are charged to the income statement as incurred.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of its associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates and jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 Segment Reporting.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Goodwill (cont'd)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Excess over the cost of business combinations

Any excess of the Group's interest in the fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the acquisition of subsidiaries, associates and jointly-controlled entities (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

The excess for associates and jointly-controlled entities is included in the Group's share of the associates' and jointly-controlled entities' profits and losses in the period in which the investment are acquired.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, reinsurance assets, investment properties and properties held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of non-financial assets other than goodwill (cont'd)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. When an items of property, plant and equipment is classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets held for sale".

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment and depreciation (cont'd)

Advantage has been taken of the transitional provision set out in paragraph 80A of HKAS 16 Property, plant and equipment, which grants an exemption from the requirement to continue making revaluations of the premises of the Group subsequent to 1995 and, accordingly, no revaluation of these premises has been carried out since then.

Leasehold buildings with residual lease periods of not more than 50 years are depreciated in equal annual instalments over the terms of lease excluding any renewal period. Leasehold buildings with residual lease periods of more than 50 years are depreciated on a straight-line basis at 2% per annum.

Furniture, fixtures, equipment and motor vehicles are depreciated to write off the cost of each asset over its estimated useful life of 3 to 10 years.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset. On disposal or retirement, any attributable revaluation surplus realised in respect of previous valuations is transferred directly to retained profits as a reserve movement.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investment properties (cont'd)

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with as movements in the asset revaluation reserve.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets (other than investment properties) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

The amounts due from the lessees under finance leases are recorded in the balance sheet as loans and advances and other assets. The amount comprises the gross investment in the finance leases less gross earnings allocated to future accounting periods.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leases (cont'd)

The total gross earnings under finance leases are allocated to the accounting periods over the duration of the underlying agreements so as to produce an approximately constant periodic rate of return on the net cash investment for each accounting period.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments and other financial assets (cont'd)

Loans and receivables

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are subsequently measured at amortised cost. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gain and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments and other financial assets (cont'd)

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of financial assets (cont'd)

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derecognition of financial assets (cont'd)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost

Financial liabilities are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its holding company;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Product classification-Insurance contracts

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Insurance contract liabilities

General insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities consist of outstanding claims which are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs. Delays can be experienced in the notification and settlement of certain types of general insurance claims, therefore the ultimate cost of which cannot be known with certainty at the balance sheet date.

Outstanding claims

Full provision has been made for outstanding claims, including those incurred but not reported and incurred but not enough reported until after the balance sheet date, and also related claims handling expenses estimated to be necessarily and directly incurred in the claims settlement process. This provision, although not a precise assessment, has been made in light of available information and after taking into account the direct claims handling expenses and possible recoveries from other parties. Claim provisions are not discounted for the time value of money and no estimate of inflationary adjustment are admitted until confirmed as necessary. The provisions are derecognised when they are discharged or settled.

Incurred but not reported outstanding claims are in respect of losses incurred prior to the balance sheet date but reported only subsequent to the balance sheet date. Incurred but not enough reported outstanding claims are in respect of losses incurred and reported prior to the balance sheet date but claims revised with the development of evidence available only subsequent to the balance sheet date. These outstanding claims have been estimated by reference to the historical pattern of claim settlement in respect of each major class of insurance portfolio. Any differences between the original claim provisions made in previous years and subsequently revised or settled amounts are included in the income statement for the financial year in which the revision or settlement is made.

Contingency reserve

Contingency reserve represents a reserve to cover unexpired default risk in respect of mortgage insurance policies and is computed as 50% of the net earned premiums written on these policies. Such reserve is released to the income statement on expiry of the seventh year subsequent to the inception of the policies, when it is estimated that the amount of claim losses arising from the default in mortgage repayment can be assessed with reasonable accuracy.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Insurance contract liabilities (cont'd)

Unearned premiums

Unearned premiums represent that portion of premiums written which is estimated to relate to periods of risk subsequent to the balance sheet date. Generally, the reserve is released over the term of the contract and is recognised as premium income.

Life insurance contracts liabilities

Life insurance contracts liabilities are recognised when contracts are entered into and premiums are charged. The provision for life insurance contracts consists of outstanding claims and the life reserve.

Life reserve

Life reserve represents a reserve to cover unexpired risk of life insurance policies and is computed by reference to an actuarial valuation carried out annually.

Liability adequacy test

At each reporting date, a liability adequacy test is performed as laid out under HKFRS. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the provision for outstanding claims. The provision for unexpired risk is increased to the extent that future claims in respect of current insurance contracts exceed future premiums plus the current unearned premiums provision.

Insurance receivables

Insurance receivable are recognised when due and measured on initial recognition at the fair value of the consideration charged. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is the present value of estimated future cash flows discounted at the original effective interest rate. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in the paragraph "Derecognition of financial assets" above, has been met.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the income statement.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for general insurance contracts when applicable. Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies, which are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all material temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all material taxable temporary differences, except:

– where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income tax (cont'd)

Deferred tax assets are recognised for all material deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

– where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits and/or contributed surplus within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries, jointly-controlled entities and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Employee Benefits

Staff retirement schemes

The Group operates a defined contribution provident fund (the "Fund") and a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees. Contributions to the Fund and the MPF Scheme are charged to the income statement as incurred. The amount of contributions by the Group is based on a specified percentage of the monthly relevant income of the eligible employees. Forfeited contributions of the Fund in respect of employees who leave before the contributions become fully vested are available to the Group to reduce its ongoing funding and retirement scheme costs. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully. The assets of the Fund and the MPF Scheme are held separately from those of the Group and placed in independently administered funds.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The Group makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continuously evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are mainly the expected ultimate cost of claims reported and incurred but not yet reported at the balance sheet date. It can take a significant period of time before the ultimate claims cost can be established with certainty. The primary technique adopted by management in estimating the cost of ultimate claims, is using the past claim settlement trends to predict the future claim settlement trends. At each reporting date, prior year estimates of claims are reassessed for adequacy and any changes from the previous assessment are made to the provision.

The carrying value at the balance sheet date for these general insurance contract liabilities was HK$656,146,000 (2005: HK$623,893,000).

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenue are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue, assets and liabilities are derived from operations carried out in Hong Kong.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the insurance segment engages in the provision of underwriting of general and life insurance;

(b) the corporate segment engages in the business of securities trading and holding; and

(c) the banking business segment engaged in the provision of banking, financial and related services, which has been disposed of during the year.

4. SEGMENT INFORMATION (cont’d)

Intersegment transactions are conducted with reference to the terms used for transactions with third parties.

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group’s business segments for the years ended 31st December, 2006 and 2005.

	Continuing operations								Discontinued operation			
Group	Insurance		Corporate		Eliminations		Total		Banking		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
External customers	**740,338**	792,503	**–**	–	**–**	–	**740,338**	792,503	**115,167**	315,954	**855,505**	1,108,457
Other revenue	**236,013**	106,002	**206,018**	14,588	**–**	–	**442,031**	120,590	**–**	–	**442,031**	120,590
Intersegment	**2,511**	4,675	**872**	1,451	**(2,246)**	(5,167)	**1,137**	959	**(1,137)**	(959)	**–**	–
Total	**978,862**	903,180	**206,890**	16,039	**(2,246)**	(5,167)	**1,183,506**	914,052	**114,030**	314,995	**1,297,536**	1,229,047
Segment results	**252,560**	87,466	**160,098**	14,751	**–**	–	**412,658**	102,217	**59,669**	101,237	**472,327**	203,454
Share of profits and losses of:												
Jointly-controlled entities	**25,356**	4,489	**6,200**	–	**–**	–	**31,556**	4,489	**–**	1,900	**31,556**	6,389
Associates	**4,861**	3,969	**–**	–	**–**	–	**4,861**	3,969	**–**	–	**4,861**	3,969
Profit before tax							**449,075**	110,675	**59,669**	103,137	**508,744**	213,812
Tax	**(25,227)**	(8,288)	**(7,537)**	–	**–**	–	**(32,764)**	(8,288)	**(10,663)**	(19,740)	**(43,427)**	(28,028)
Gain on disposal of the discontinued operation	**–**	–	**–**	–	**–**	–	**–**	–	**2,628,293**	–	**2,628,293**	–
Profit for the year							**416,311**	102,387	**2,677,299**	83,397	**3,093,610**	185,784

4. SEGMENT INFORMATION (cont'd)

Business segments (cont'd)

Group	Continuing operations								Discontinued operation			
	Insurance		Corporate		Eliminations		Total		Banking		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**3,814,241**	2,368,547	**3,050,082**	765,600	**(212,700)**	(369,367)	**6,651,623**	2,764,780	**–**	16,000,606	**6,651,623**	18,765,386
Interests in jointly-controlled entities	**91,535**	47,588	**6,200**	–	**(41)**	–	**97,694**	47,588	**–**	21,100	**97,694**	68,688
Interests in associates	**70,483**	71,279	**–**	–	**–**	–	**70,483**	71,279	**–**	–	**70,483**	71,279
Total assets	**3,976,259**	2,487,414	**3,056,282**	765,600	**(212,741)**	(369,367)	**6,819,800**	2,883,647	**–**	16,021,706	**6,819,800**	18,905,353
Segment liabilities	**1,363,034**	1,304,828	**224,133**	33,761	**(212,741)**	(369,367)	**1,374,426**	969,222	**–**	14,247,681	**1,374,426**	15,216,903
Other segment information:												
Depreciation	**5,845**	4,108	**2,252**	870	**–**	–	**8,097**	4,978	**5,082**	16,298	**13,179**	21,276
Changes in fair value of investment properties	**(1,620)**	(1,000)	**–**	–	**–**	–	**(1,620)**	(1,000)	**–**	(4,924)	**(1,620)**	(5,924)
Write-back of an impairment allowance against a loan to a jointly-controlled entity	**–**	–	**(1,000)**	–	**–**	–	**(1,000)**	–	**–**	(3,500)	**(1,000)**	(3,500)
Loss on disposal of property, plant and equipment	**991**	–	**–**	–	**–**	–	**991**	–	**–**	–	**991**	–
Impairment loss of property, plant and equipment	**413**	–	**–**	–	**–**	–	**413**	–	**–**	–	**413**	–
Write-off of property, plant and equipment	**–**	–	**–**	–	**–**	–	**–**	–	**–**	20	**–**	20
Amortisation of intangible assets	**–**	–	**–**	–	**–**	–	**–**	–	**19**	56	**19**	56
Impairment loss of intangible assets	**–**	–	**–**	–	**–**	–	**–**	–	**29**	88	**29**	88
Impairment allowances on loans and advances and other assets	**91**	2,848	**–**	–	**–**	–	**91**	2,848	**–**	54,833	**91**	57,681
Impairment loss of available-for-sale securities, held-to-maturity securities and investment securities	**6,212**	8,612	**1,481**	1,586	**–**	–	**7,693**	10,198	**–**	–	**7,693**	10,198
Capital expenditure	**99,838**	10,108	**24,744**	405	**–**	–	**124,582**	10,513	**–**	4,248	**124,582**	14,761

5. REVENUE

Revenue, which is also the Group's turnover, represents gross premiums net of discounts, from the direct and reinsurance businesses underwritten during the year.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Group 2006 HK$'000	Group 2005 HK$'000
Auditors' remuneration		**1,630**	2,600
Depreciation	14	**13,179**	21,276
Employee benefits expense (including directors' remuneration, note 7):			
Wages and salaries		**164,635**	137,586
Pension scheme contributions		**3,400**	6,094
Less: Forfeited contributions		**(79)**	(207)
Net pension scheme contributions		**3,321**	5,887
Total employee benefits expense		**167,956**	143,473
Minimum lease payments under operating leases in respect of land and buildings		**4,006**	5,891
Gain on disposal on securities measured at fair value through profit or loss, net		**(105,341)**	(22,361)
Fair value gains on securities measured at fair value through profit or loss, net		**(191,587)**	(8,722)
Gain on disposal of available-for-sale securities		**(96)**	(1,843)
Loss/(gain) on disposal or retirement of held-to-maturity securities		**266**	(1,883)
Impairment loss of available-for-sale securities		**7,693**	10,198
Impairment allowances on loans and advances and other assets		**91**	58,112
Release of impairment allowances on trade bills		**–**	(431)
Loss on disposal of property, plant and equipment		**991**	–
Impairment loss of property, plant and equipment	14	**413**	–
Write-off of property, plant and equipment		**–**	20
Amortisation of intangible assets	16	**19**	56
Impairment loss of intangible assets	16	**29**	88
Changes in fair value of investment properties	15	**(1,620)**	(5,924)

6. PROFIT BEFORE TAX (cont'd)

	Notes	Group 2006 HK$'000	2005 HK$'000
Write-back of an impairment allowance against a loan to a jointly-controlled entity		**(1,000)**	(3,500)
Dividend income from:			
Listed investments		**(28,993)**	(20,607)
Unlisted investments		**(3,967)**	(4,697)
		(32,960)	(25,304)
Interest income, excluding that related to banking business		**(113,701)**	(34,749)

The disclosures presented in this note include those amounts charged/(credited) in respect of the discontinued operation.

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

Group

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000 (note)	Pension scheme contributions HK$'000	Total remuneration HK$'000
2006					
Executive directors:					
Robin Y.H. Chan	120	1,846	40,600	72	42,638
Lau Ki Chit	100	972	4,100	–	5,172
Bernard Charnwut Chan	160	2,175	14,600	154	17,089
Stephen Tan#	83	1,570	6,000	123	7,776
	463	6,563	65,300	349	72,675
Non-executive directors:					
Tan Sri Frank W.K. Tsao	60	–	–	–	60
Choedchu Sophonpanich	100	12	200	–	312
Ng Song Hin	100	–	100	–	200
Tan Eng Heng	60	–	100	–	160
Philip Yu Hong Wong	60	–	–	–	60
Leo Tung Hai Lee	40	–	–	–	40
Kenneth Chi Lam Siao	60	–	–	–	60
Na Wu Beng	80	–	100	–	180
Yoshitaka Sawamura*	20	–	–	–	20
Takashi Muraoka*	70	–	100	–	170
Daiji Goto#	20	–	–	–	20
	670	12	600	–	1,282
Independent non-executive directors:					
Andrew Chiu Cheung Ma	190	–	100	–	290
Anna Suk Han Chow	200	–	100	–	300
Ko Wing Man	190	–	100	–	290
	580	–	300	–	880
	1,713	6,575	66,200	349	74,837

\# *appointed during the year*

* *resigned during the year*

Note: Discretionary bonuses included with the year end performance bonus and the special bonus related to the disposal of the ACB Group.

7. DIRECTORS' REMUNERATION (cont'd)

Group

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2005					
Executive directors:					
Robin Y.H. Chan	120	1,864	3,100	54	5,138
Lau Ki Chit	100	972	900	–	1,972
Bernard Charnwut Chan	142	2,092	1,400	100	3,734
	362	4,928	5,400	154	10,844
Non-executive directors:					
Tan Sri Frank W.K. Tsao	60	–	–	–	60
Choedchu Sophonpanich	100	12	80	–	192
Ng Song Hin	105	–	–	–	105
Tan Eng Heng	60	–	80	–	140
Philip Yu Hong Wong	60	–	–	–	60
Leo Tung Hai Lee	40	–	–	–	40
Kenneth Chi Lam Siao	60	–	–	–	60
Na Wu Beng	80	–	–	–	80
Yoshitaka Sawamura##	–	–	–	–	–
Takashi Muraoka	80	–	–	–	80
	645	12	160	–	817
Independent non-executive directors:					
Andrew Chiu Cheung Ma	168	–	–	–	168
Anna Suk Han Chow	180	–	–	–	180
Ko Wing Man	170	–	–	–	170
	518	–	–	–	518
	1,525	4,940	5,560	154	12,179

Director's fee waived

Except for the non-executive director mentioned above, there was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31st December, 2006 and 2005.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2005: two) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining one (2005: three) non-director, highest paid employee the year is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,285**	4,590
Discretionary bonuses	**3,670**	4,275
Pension scheme contributions	**90**	349
	5,045	9,214

The number of the remaining one (2005: three) non-director, highest paid employee whose remuneration fell within the following band is as follows:

	Number of employees	
	2006	2005
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**–**	–
HK$4,500,001 to HK$5,000,000	**–**	–
HK$5,000,001 to HK$5,500,000	**1**	–
	1	3

9. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006	2005
	HK$'000	HK$'000
		(Restated)
Group:		
Current – Hong Kong		
Charge for the year	**30,837**	7,716
Overprovision in prior years	**–**	(430)
– Elsewhere	**1,497**	1,019
Deferred charge/(credit) (note 36)	**430**	(17)
Total tax charge for the year	**32,764**	8,288

9. TAX (cont'd)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the locations in which the Company and the majority of its subsidiaries, jointly-controlled entities and associates are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – 2006

	Hong Kong		Mainland China		Macau		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax (including profit from a discontinued operation)	493,215		3,063		12,466		508,744	
Tax at the statutory tax rate	86,313	17.5	459	15.0	1,496	12.0	88,268	17.4
Share of profits and losses attributable to jointly-controlled entities and associates	(6,373)	(1.3)	–	–	–	–	(6,373)	(1.3)
Adjustments in respect of current tax of previous periods	430	0.1	–	–	–	–	430	0.1
Income not subject to tax	(41,668)	(8.5)	–	–	–	–	(41,668)	(8.2)
Expenses not deductible for tax	10,390	2.1	–	–	1	–	10,391	2.0
Tax losses from previous periods utilised	(6,984)	(1.4)	–	–	–	–	(6,984)	(1.4)
Others	(637)	(0.1)	–	–	–	–	(637)	(0.1)
Tax charge at the Group's effective rate	41,471	8.4	459	15.0	1,497	12.0	43,427	8.5
Represented by:								
Tax charge attributable to an operation classified as discontinued during 2006 (note 13)								10,663
Tax charge attributable to continuing operations reported in the consolidated income statement								32,764
								43,427

9. TAX (cont'd)

Group – 2005

	Hong Kong		Mainland China		Macau		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax (including profit from a discontinued operation)	212,099		(4,775)		6,488		213,812	
Tax at the statutory tax rate	37,117	17.5	(716)	15.0	779	12.0	37,180	17.4
Share of profits and losses attributable to jointly-controlled entities and associates	(1,745)	(0.8)	–	–	–	–	(1,745)	(0.8)
Adjustments in respect of current tax of previous periods	(1,973)	(0.9)	–	–	–	–	(1,973)	(0.9)
Income not subject to tax	(14,653)	(6.9)	–	–	–	–	(14,653)	(6.9)
Expenses not deductible for tax	8,260	3.8	2,237	(46.9)	33	0.5	10,530	4.9
Tax losses from previous periods utilised	(1,130)	(0.5)	–	–	–	–	(1,130)	(0.5)
Tax losses not recognised	(264)	(0.1)	–	–	–	–	(264)	(0.1)
Others	(124)	(0.1)	–	–	207	3.2	83	–
Tax charge at the Group's effective rate	25,488	12.0	1,521	(31.9)	1,019	15.7	28,028	13.1
Represented by:								
Tax charge attributable to an operation classified as discontinued during 2006 (note 13)								19,740
Tax charge attributable to continuing operations reported in the consolidated income statement								8,288
								28,028

The share of tax attributable to associates and jointly-controlled entities amounting to HK$959,000 (2005: HK$783,000) and HK$2,480,000 (2005: HK$962,000), respectively, is included in "Share of profits and losses of jointly-controlled entities and associates" on the face of the consolidated income statement.

10. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31st December, 2006 includes a profit of HK$3,413,843,000 (2005: HK$197,240,000) which has been dealt with in the financial statements of the Company (note 31).

11. DIVIDENDS

	2006	2005
	HK$'000	HK$'000
Interim-HK5.0 cents (2005: HK2.2 cents) per ordinary share	**52,901**	23,276
Special-HK$1.2 (2005: Nil) per ordinary share	**1,269,626**	–
Proposed final-HK11.0 cents (2005: HK7.8 cents) per ordinary share	**115,801**	82,527
	1,438,328	105,803

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. Accordingly, the proposed final dividend has been included in the proposed final dividend reserve account within the equity attributable to the equity holders of the Company of the balance sheet.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$3,092,434,000 (2005: HK$184,583,000) and the weighted average number of 1,057,128,146 ordinary shares in issue during the year (2005: 1,058,021,428 ordinary shares).

13. DISCONTINUED OPERATION

On 14th February, 2006, a share purchase agreement (the "Share Purchase Agreement") was entered into between the Company and Public Financial Holdings Limited ("PFH") (formerly "JCG Holdings Limited"), a company incorporated in Bermuda and listed on the Stock Exchange, and an independent third party to the Group. Pursuant to the Share Purchase Agreement, the Company disposed of and PFH acquired the entire 8,100,000 issued and fully paid ordinary shares of HK$100 each in the share capital of Asia Commercial Bank Limited ("ACB"), a then wholly-owned subsidiary of the Company, together with the subsidiaries of ACB (the "ACB Group") at a cash consideration of HK$4,499,550,000 (the "Preliminary Consideration"), subject to adjustment (the "Consideration Adjustment") upon completion of the Share Purchase Agreement.

13. DISCONTINUED OPERATION (cont'd)

The Consideration Adjustment, as determined and agreed by the Company and PFH in July 2006, was HK$85,449,000.

The results in respect of the ACB Group for the year are presented below:

	2006 HK$'000	2005 HK$'000
Interest income	**258,799**	614,912
Interest expense	**(169,207)**	(370,967)
Net fee and commission income from the banking business	**13,876**	42,744
Gains less losses arising from dealing in foreign currencies from the banking business	**4,184**	11,365
Other operating revenue	**7,515**	16,000
Share of profits and losses of jointly-controlled entities	**–**	1,900
	115,167	315,954
Expenses	**(55,498)**	(212,817)
Profit before tax from the discontinued operation	**59,669**	103,137
Tax-current charge (note 9)	**(10,663)**	(19,740)
Profit for the year from the discontinued operation	**49,006**	83,397
Gain on disposal of the discontinued operation	**2,628,293**	–
Net gain associated with the discontinued operation	**2,677,299**	83,397

The net cash flows incurred by the ACB Group are as follows:

	2006 HK$'000	2005 HK$'000
Operating activities	**236,830**	763,512
Investing activities	**50,484**	(2,887)
Net cash inflow	**287,314**	760,625

13. DISCONTINUED OPERATION (cont'd)

Earnings per share from the discontinued operation:

	2006 HK cents	2005 HK cents
Basic	**253.0**	7.9
Diluted	**N/A**	N/A

The calculation of basic earnings per share from the discontinued operation is based on the net gain associated with the discontinued operation of HK$2,677,299,000 (2005: HK$83,397,000) and on 1,058,021,428 ordinary shares in issue during the period up to the date of disposal of the ACB Group (year ended 31st December, 2005: 1,058,021,428).

Diluted earnings per share amounts from the discontinued operation for each of the years ended 2006 and 2005 have not been calculated as no dilutive events existed during these two years.

14. PROPERTY, PLANT AND EQUIPMENT

31st December, 2006

	Group			Company
	Buildings HK$'000	Furniture, fixtures, equipment and motor vehicles HK$'000	Total HK$'000	Furniture and fixtures HK$'000
Cost or valuation:				
At beginning of year	463,440	213,437	676,877	6,267
Additions	97,153	27,429	124,582	1,094
Disposals	(40)	(16,714)	(16,754)	(4,708)
Disposal of subsidiaries	(352,247)	(175,556)	(527,803)	–
Transfer to investment properties (note 15)	(3,636)	–	(3,636)	–
Transfer to properties held for sale (note 22)	(4,931)	–	(4,931)	–
At 31st December, 2006	199,739	48,596	248,335	2,653
Accumulated depreciation and impairment:				
At beginning of year	136,453	191,352	327,805	3,441
Charge for the year	3,025	10,154	13,179	321
Impairment loss	413	–	413	–
Disposals	(19)	(12,190)	(12,209)	(1,493)
Disposal of subsidiaries	(104,044)	(166,960)	(271,004)	–
Transfer to investment properties (note 15)	(920)	–	(920)	–
Transfer to properties held for sale (note 22)	(1,580)	–	(1,580)	–
At 31st December, 2006	33,328	22,356	55,684	2,269
Net book value:				
At 31st December, 2006	166,411	26,240	192,651	384
At 31st December, 2005	326,987	22,085	349,072	2,826

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

31st December, 2005

	Group			Company
	Buildings	Furniture, fixtures, equipment and motor vehicles	Total	Furniture and fixtures
	HK$'000	HK$'000	HK$'000	HK$'000
Cost or valuation:				
At beginning of year	460,942	207,151	668,093	5,862
Additions	7,667	7,094	14,761	405
Disposals	–	(700)	(700)	–
Write-off	–	(108)	(108)	–
Transfer to investment properties (note 15)	(5,169)	–	(5,169)	–
At 31st December, 2005	463,440	213,437	676,877	6,267
Accumulated depreciation:				
At beginning of year	127,737	180,512	308,249	2,571
Charge for the year	9,829	11,447	21,276	870
Disposals	–	(519)	(519)	–
Write-off	–	(88)	(88)	–
Transfer to investment properties (note 15)	(1,113)	–	(1,113)	–
At 31st December, 2005	136,453	191,352	327,805	3,441
Net book value:				
At 31st December, 2005	326,987	22,085	349,072	2,826
At 31st December, 2004	333,205	26,639	359,844	3,291

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The cost or valuation of the buildings comprises:

	2006 HK$'000	2005 HK$'000
At 1990 valuation	**85,172**	351,651
At cost	**114,567**	111,789
	199,739	463,440

The net book values of the buildings of the Group comprise:

	2006 HK$'000	2005 HK$'000
Long term leases in Hong Kong	**158,701**	246,761
Long term leases outside Hong Kong	**7,182**	7,122
Medium term leases in Hong Kong	**–**	40,783
Medium term leases outside Hong Kong	**528**	32,321
	166,411	326,987

The furniture, fixtures, equipment and motor vehicles are stated at cost less accumulated depreciation.

Had the revalued buildings of the Group been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK$16,307,000 (2005: HK$87,354,000).

15. INVESTMENT PROPERTIES

	Group	
	2006	2005
	HK$'000	HK$'000
Carrying amount at 1st January	**25,220**	15,240
Disposal of subsidiaries (note 41)	**(15,000)**	–
Transfer from property, plant and equipment (note 14)	**2,716**	4,056
Transfer to properties held for sale (note 22)	**(11,106)**	–
Changes in fair value of investment properties	**1,620**	5,924
Carrying amount at 31st December	**3,450**	25,220

The investment properties were revalued at 31st December, 2006 by AA Property Services Limited, a firm of professionally qualified valuers, at HK$3,450,000 on an open market value, based on their existing use. The investment properties are leased to third parties under operating leases.

The Group's investment properties are situated in Macau and are held under short term lease.

16. INTANGIBLE ASSETS

	Group	
	2006	2005
	HK$'000	HK$'000
Cost:		
At beginning of year	**1,437**	1,437
Disposal of subsidiaries	**(1,437)**	–
	–	1,437
Accumulated amortisation and impairment:		
At beginning of year	**838**	694
Amortisation during the year	**19**	56
Impairment loss during the year	**29**	88
Disposal of subsidiaries	**(886)**	–
	–	838
Net book value:		
At 31st December	**–**	599

The intangible assets represented three units of Stock Exchange Trading Rights and one unit of Futures Exchange Trading Rights in Hong Kong Exchanges and Clearing Limited.

17. INTERESTS IN SUBSIDIARIES

	Company 2006 HK$'000	Company 2005 HK$'000
Unlisted shares, at cost	**1,714,547**	1,629,859
Impairment	**(18,800)**	(18,800)
	1,695,747	1,611,059

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

As the balances with subsidiaries arose from advances to/from the subsidiaries for the purpose of operational financing, other than the circumstances when it is considered that the recipient of the financing has more than adequate working capital for financing its operation, the directors of the Company do not intend to demand settlement/proceed with repayment of the amounts involved within 12 months from the balance sheet date. The carrying amounts of the balances with subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Company	Place of incorporation	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Nominal value of issued share capital	Principal activities
Asia Insurance Company, Limited	Hong Kong	100	–	HK$2,000,000,000	Insurance
Asia Investment Services Limited	British Virgin Islands	100	–	HK$10,000,000	Investment holding
AFH Investments (BVI) Limited	British Virgin Islands	100	–	US$1,000,000	Investment holding
Asia Insurance (Finance) Limited	Hong Kong	–	100	HK$25,000,000	Mortgage loan financing
Chamberlain Investment Limited	Republic of Liberia	–	100	US$100	Investment holding
Progressive Investment Company Limited	Hong Kong	–	100	HK$10,000,000	Property investment

17. INTERESTS IN SUBSIDIARIES (cont'd)

Particulars of the principal subsidiaries are as follows: (cont'd)

Company	Place of incorporation	Percentage of equity attributable to the Company		Nominal value of issued share capital	Principal activities
		Direct	Indirect		
Bedales Investment Limited	Republic of Liberia	–	100	Ordinary US$100 Preference US$3,000,000	Investment holding
Asia Investment Services (HK) Limited	Hong Kong	–	100	HK$10,000	Investment holding
Asia Insurance (Investments) Limited	Hong Kong	–	57	HK$53,000,000	Investment holding
Asia Financial (Nominees) Limited	Hong Kong	–	100	HK$2	Provision of nominee services
AFH Investment Company Limited	Hong Kong	–	100	HK$1	Investment holding
AFH Realty Investment Company Limited	Hong Kong	–	100	HK$1	Investment holding
AFH International Company Limited	Hong Kong	–	100	HK$1	Investment holding
AFH Health Care Services Limited	Hong Kong	–	100	HK$1	Provision of health care services
Top Hover Limited	British Virgin Islands	–	100	US$1	Investment holding

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The principal place of operations of the principal subsidiaries is mainly in Hong Kong.

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted investments, at cost	**–**	–	**–**	–
Share of net assets	**97,694**	68,688	**–**	–
Loan to a jointly-controlled entity	**31,000**	31,000	**31,000**	–
Impairment	**–**	(1,000)	**–**	–
	31,000	30,000	**31,000**	–

The loan to the jointly-controlled entity is unsecured, interest-free and repayable by 29th December, 2008. The carrying amount of the loan approximates to its fair value.

Particulars of the jointly-controlled entities of the Group are as follows:

Name	Business structure	Place of incorporation	Percentage of ownership interest and profit sharing	Voting power	Principal activities
Bank Consortium Holding Limited*	Corporate	Hong Kong	13.3	1 out of 7#	Provision of mandatory provident fund scheme services
Hong Kong Life Insurance Limited*	Corporate	Hong Kong	16.7	2 out of 12#	Provision of writing of long term insurance business
BC Reinsurance Limited	Corporate	Hong Kong	21	2 out of 10#	Reinsurance underwriting

* *Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.*

\# *Representing the number of votes on the board of directors attributable to the Group.*

The Group received dividend income amounted to HK$1,050,000 (2005: HK$1,050,000) from the jointly-controlled entities during the year.

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (cont'd)

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2006 HK$'000	2005 HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Assets	**424,039**	322,813
Liabilities	**(326,304)**	(256,394)
Net assets	**97,735**	66,419
Share of the jointly-controlled entities' results:		
Revenue	**40,323**	16,292
Other income	**8,453**	3,880
	48,776	20,172
Total expenses	**(14,740)**	(12,821)
Tax	**(2,480)**	(962)
Profit for the year	**31,556**	6,389

19. INTERESTS IN ASSOCIATES

	Group	
	2006 HK$'000	2005 HK$'000
Share of net assets	**64,754**	65,550
Goodwill on acquisition	**5,729**	5,729
	70,483	71,279

19. INTERESTS IN ASSOCIATES (cont'd)

Particulars of the principal associates of the Group as at 31st December, 2006, which are all corporate entities, are as follows:

Company	Place of incorporation	Percentage of equity held by the Group	Nominal value of issued ordinary share capital	Principal activities
APIC Holdings, Inc. *	Philippines	50	Peso23,241,700	Investment holding
Asian Insurance International (Holding) Limited ("AIIHL")	Bermuda	25	US$5,740,000	Investment holding
Professional Liability Underwriting Services Limited	Hong Kong	27	HK$3,000,000	Insurance agent
The People's Insurance Company of China (Hong Kong), Ltd.	Hong Kong	14.25	HK$200,000,000	Insurance underwriting

* *Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.*

The Group received dividend income amounted to HK$3,715,000 (2005: HK$2,986,000) from the associates during the year.

The amounts due from/(to) associates are unsecured, interest-free and have no fixed terms of repayment.

The carrying amounts of the amounts due from/(to) associates approximate their fair values.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	2006 HK$'000	2005 HK$'000
Assets	**520,805**	473,462
Liabilities	**(244,040)**	(190,766)
Revenue	**25,720**	23,855
Profit	**18,800**	15,527

20. HELD-TO-MATURITY SECURITIES

	Group	
	2006	2005
	HK$'000	HK$'000
Listed debt securities in Hong Kong, at amortised cost	**10,672**	30,673
Listed debt securities outside Hong Kong, at amortised cost	**192,941**	251,457
Unlisted debt securities, at amortised cost	**167,025**	3,622,127
Total held-to-maturity securities	**370,638**	3,904,257
Market value of listed held-to-maturity securities	**185,428**	276,180

The held-to-maturity securities analysed by issuers as at the balance sheet date are as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Public sector entities	**40,869**	56,998
Banks and other financial institutions	**253,532**	3,405,362
Corporate entities	**76,237**	441,897
	370,638	3,904,257

The maturity profile of the held-to-maturity securities as at the balance sheet date is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
With a residual maturity of:		
Three months or less	**49,334**	638,372
One year or less but over three months	**23,185**	389,979
Five years or less but over one year	**133,322**	2,515,981
Over five years	**164,797**	359,925
	370,638	3,904,257

21. AVAILABLE-FOR-SALE SECURITIES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed equity outside Hong Kong, at market value	**614,503**	411,606	**–**	–
Unlisted equity, at cost	**137,989**	140,434	**96,087**	96,087
Impairment	**(17,790)**	(14,097)	**–**	–
	120,199	126,337	**96,087**	96,087
Unlisted debt, at cost	**22,096**	22,516	**–**	–
Impairment	**(6,900)**	(2,900)	**–**	–
	15,196	19,616	**–**	–
Total available-for-sale securities	**749,898**	557,559	**96,087**	96,087

The available-for-sale securities as at the balance sheet date, analysed by the sector of the issuers, are as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Banks and other financial institutions	**571,806**	505,618	**94,012**	94,012
Corporate entities	**178,092**	51,941	**2,075**	2,075
	749,898	557,559	**96,087**	96,087

During the year, the gross gains of the Group's and the Company's available-for-sale listed investments recognised directly in equity amounted to HK$83,604,000 (2005: loss of HK$19,730,000) (note 31).

The above investments consist of investments securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

21. AVAILABLE-FOR-SALE SECURITIES (cont'd)

Included in the unlisted equity investments are certain companies in which the percentage of equity attributable to the Group exceeds 20%. These investments, however, are not equity accounted for in accordance with HKAS 28 Investments in Associates as the directors consider that the Group is not in a position to exercise significant influence over their operations. The results of these companies are dealt with in the consolidated income statement to the extent of dividends received from these companies.

The particulars of these companies are as follows:

Name	Place of incorporation	Class of shares held	Proportion held
Robina Manila Hotel Limited	British Virgin Islands	Ordinary	25%
Yangon Hotel Holdings Limited	Cook Islands	Ordinary	30%

The fair values of listed equity investments are based on quoted market prices. The unlisted available-for-sale equity investments of the Group and the Company with carrying amounts of HK$120,199,000 (2005: HK$126,337,000) and HK$96,087,000 (2005: HK$96,087,000), respectively, are measured at cost less impairment because the directors believe that their fair values cannot be measured reliably.

22. PROPERTIES HELD FOR SALE

During the year, the Group have entered into certain sales and purchases agreements with independent third parties to sell an owner-occupied building and certain investment properties. The disposal of these properties was completed subsequent to the year end. Accordingly, the owner-occupied building with a carrying amount of HK$3,351,000 (note 14) and certain investment properties with a carrying amount of HK$11,106,000 (note 15) of the Group, were reclassified as properties held for sale.

23. LOANS AND ADVANCES AND OTHER ASSETS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans and advances	**49,393**	9,136,181	**–**	–
Accrued interest and other assets	**315,672**	264,180	**9,211**	7,184
Gross loans and advances and other assets	**365,065**	9,400,361	**9,211**	7,184
Less: Impairment allowances for loans and advances				
– Individually assessed	**–**	(41,452)	**–**	–
– Collectively assessed	**–**	(24,887)	**–**	–
	–	(66,339)	**–**	–
Less: Impairment allowances for accrued interest and other assets				
– Individually assessed	**(63)**	(27,650)	**–**	–
Tax recoverable	**–**	2,829	**–**	–
Loans and advances and other assets	**365,002**	9,309,201	**9,211**	7,184

The Group's and the Company's accrued interest and other assets were current in nature as at 31st December, 2006 and 2005.

The carrying amounts of other assets approximate their fair values.

23. LOANS AND ADVANCES AND OTHER ASSETS (cont'd)

The maturity profile of the loans and advances as at the balance sheet date is as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Repayable on demand	**40**	639,097	**–**	–
With a residual maturity of:				
Three months or less	**1,728**	1,492,275	**–**	–
One year or less but over three months	**4,765**	1,054,389	**–**	–
Five years or less but over one year	**16,952**	2,667,472	**–**	–
Over five years	**25,908**	3,223,228	**–**	–
Undated	**–**	59,720	**–**	–
	49,393	9,136,181	**–**	–

Included in loans and advances and other assets of the Group are receivables in respect of assets leased under finance leases as set out below:

	Minimum lease payments 2006 HK$'000	Minimum lease payments 2005 HK$'000	**Present value of minimum lease payments 2006 HK$'000**	Present value of minimum lease payments 2005 HK$'000
Amounts receivable under finance leases:				
Within one year	**–**	237,382	**–**	206,021
In the second to fifth years, inclusive	**–**	327,957	**–**	282,110
Over five years	**–**	148,477	**–**	104,890
	–	713,816	**–**	593,021
Less: Unearned finance income	**–**	(120,795)		
Present value of minimum lease payments receivable	**–**	593,021		

The Group entered into finance lease arrangements with customers in respect of motor vehicles. The terms of the finance leases entered into range from one to five years, except for the financing loans for taxis and public light buses which have maximum terms of 20 years. All the Group's finance lease arrangements with customers were disposed of via the disposal of the ACB Group during the year.

24. SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2006	2005
	HK$'000	HK$'000
Debt securities:		
– listed outside Hong Kong, at market value	**37,447**	50,890
– unlisted, at quoted market price	**87,762**	87,109
	125,209	137,999
Equity securities at market value:		
– listed in Hong Kong	**555,146**	525,916
– listed outside Hong Kong	**392,832**	246,434
	947,978	772,350
Investment funds:		
– listed outside Hong Kong, at market value	**32,080**	9,640
– unlisted, at quoted market price	**1,518,433**	173,697
	1,550,513	183,337
Total	**2,623,700**	1,093,686

The securities measured at fair value through profit or loss in securities as at the balance sheet dates, analysed by the sector of the issuers, are as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Public sector entities	**144,638**	101,544
Banks and other financial institutions	**375,874**	315,799
Corporate	**2,103,188**	676,343
	2,623,700	1,093,686

25. DERIVATIVE FINANCIAL INSTRUMENTS

The Group used the following derivative instruments in the banking business, which were disposed of via the disposal of the ACB Group.

Currency forwards represent commitments to purchase foreign and domestic currencies, including undelivered spot transactions. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates, or to buy or sell foreign currencies or a financial instrument on a future date at a specified price established in an organised financial market. The credit risk is negligible, as futures contracts are collateralised by cash or marketable securities, and changes in the futures contract value are settled daily with the exchange. Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

Interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an exchange of interest rates (for example, fixed rate or floating rate). No exchange of principal takes place. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligations. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period a specific amount of a foreign currency or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and an over-the-counter customer. The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

26. INSURANCE RECEIVABLES

	Group	
	2006	2005
	HK$'000	HK$'000
Amounts due in respect of:		
Direct underwriting	**125,678**	121,523
Reinsurance accepted	**17,243**	7,649
	142,921	129,172

The Group grants credit terms of less than 12 months to all its customers and cedents. The past settlement history of these receivables indicates that certain debtors settle in arrears subsequent to the credit period, which may also involve settlement subsequent to the 12 months from the balance sheet date.

The Group's insurance receivables relate to a large number of diversified customers and therefore there is no significant concentration of credit risk. Insurance receivables are non-interest-bearing. The carrying amount of insurance receivables approximate to its fair value.

An aged analysis of the insurance receivables as at the balance sheet date is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Three months or less	**95,712**	82,479
Six months or less but over three months	**48,540**	32,723
One year or less but over six months	**1,204**	12,106
Over one year	**1,379**	9,807
	146,835	137,115
Less: Impairment allowances	**(3,914)**	(7,943)
	142,921	129,172

27. REINSURANCE ASSETS

	Group	
	2006	2005
	HK$'000	HK$'000
Reinsurers' share of insurance contract liabilities (note 32)	**371,238**	411,889

28. TRADE BILLS

	Group	
	2006	2005
	HK$'000	HK$'000
Trade bills	**–**	35,056
Less: Collective impairment allowance	**–**	(87)
	–	34,969

29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**353,770**	246,263	**521,748**	2
Treasury bills including Exchange Fund Bills	**–**	99,371	**–**	–
Time deposits with original maturity of over three months	**21,188**	357,410	**–**	–
Time deposits with original maturity of less than three months	**1,378,917**	2,138,981	**–**	–
	1,753,875	2,842,025	**521,748**	2
Pledged deposits with original maturity of:				
– over three months	**20,181**	20,181	**–**	–
– less than three months	**12,612**	8,825	**–**	–
	32,793	29,006	**–**	–
	1,786,668	2,871,031	**521,748**	2

29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (cont'd)

The pledged deposits are pledged in favour of Autoridade Monetaria e Cambial de Macau as security for the outstanding claims provision and unearned premiums reserve of a subsidiary operates in Macau as required under the applicable laws of Macau.

Cash and cash equivalents included cash at banks and short term time deposits. Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. Time deposits with original maturity of more than three months when acquired earn interest at the respective time deposit rates with terms between three months and twelve months. The carrying amounts of the cash and cash equivalents, time deposits with original maturity of more than three months when acquired and the pledged deposits approximate to their fair values.

The maturity profile of the cash and bank balances and pledged deposits as at the balance sheet date was as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
With a residual maturity of:		
Three months or less	**1,758,416**	2,712,744
One year or less but over three months	**28,252**	158,287
	1,786,668	2,871,031

30. SHARE CAPITAL

	2006	2005
	HK$'000	HK$'000
Authorised:		
1,500,000,000 ordinary shares of HK$1 each	**1,500,000**	1,500,000
Issued and fully paid:		
1,052,739,428 ordinary shares (2005: 1,058,021,428) of HK$1 each	**1,052,739**	1,058,021

During the year ended 31st December, 2006, the Company repurchased and cancelled 5,282,000 of its ordinary shares of HK$1 each from the market at a total consideration of approximately HK$16,379,000.

The premium of approximately HK$11,097,000 paid on the repurchase of such shares was debited to the retained profits account and an amount of HK$5,282,000 was transferred from retained profits of the Company to the capital redemption reserve, as set out in note 31 to the financial statements.

31. RESERVES

Group

	Share premium account HK$'000	General reserve HK$'000	Available-for-sale investment reserve HK$'000	Asset revaluation reserve HK$'000	Exchange reserve HK'000	Statutory reserve HK'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total reserves HK$'000
At 1st January, 2005	560,531	359,883	148,742	131,606	–	2,427	313,240	–	943,472	2,459,901	27,371	2,487,272
Changes in fair value of available-for-sale securities (note 21)	–	–	(19,730)	–	–	–	–	–	–	(19,730)	–	(19,730)
Exchange realignment	–	–	–	–	379	–	–	–	–	379	–	379
Total income and expenses recognised directly in equity	–	–	(19,730)	–	379	–	–	–	–	(19,351)	–	(19,351)
Profit for the year	–	–	–	–	–	–	–	–	184,583	184,583	1,201	185,784
Interim 2005 dividend (note 11)	–	–	–	–	–	–	–	–	(23,276)	(23,276)	–	(23,276)
Proposed final 2005 dividend (note 11)	–	–	–	–	–	–	–	–	(82,527)	(82,527)	–	(82,527)
Capitalisation of general reserve	–	(200,000)	–	–	–	–	200,000	–	–	–	–	–
At 31st December, 2005	560,531	159,883	129,012	131,606	379	2,427	513,240	–	1,022,252	2,519,330	28,572	2,547,902

31. RESERVES (cont'd)

Group

	Share premium account HK$'000	General reserve HK$'000	Available-for-sale investment reserve HK$'000	Asset revaluation reserve HK$'000	Exchange reserve HK'000	Statutory reserve HK'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total reserves HK$'000
At 1st January, 2006	560,531	159,883	129,012	131,606	379	2,427	513,240	–	1,022,252	2,519,330	28,572	2,547,902
Changes in fair value of available-for-sale securities (note 21)	–	–	83,604	–	–	–	–	–	–	83,604	–	83,604
Share of changes in the investment revaluation reserve of an associate	–	–	339	–	–	–	–	–	–	339	–	339
Deferred tax credited (note 36)	–	–	–	654	–	–	–	–	–	654	–	654
Exchange realignment	–	(316)	–	–	466	–	–	–	–	150	–	150
Total income and expenses recognised directly in equity	–	(316)	83,943	654	466	–	–	–	–	84,747	–	84,747
Profit for the year	–	–	–	–	–	–	–	–	3,092,434	3,092,434	1,176	3,093,610
Interim 2006 dividend (note 11)	–	–	–	–	–	–	–	–	(52,901)	(52,901)	–	(52,901)
Special dividend (note 11)	–	–	–	–	–	–	–	–	(1,269,626)	(1,269,626)	–	(1,269,626)
Proposed final 2006 dividend (note 11)	–	–	–	–	–	–	–	–	(115,801)	(115,801)	–	(115,801)
Repurchase of shares (note 30)	–	–	–	–	–	–	–	–	(11,097)	(11,097)	–	(11,097)
Transfer to capital redemption reserve (note 30)	–	–	–	–	–	–	–	5,282	(5,282)	–	–	–
Transfer to retained profits upon disposal of subsidiaries	–	(159,567)	–	(83,179)	–	–	–	–	242,746	–	–	–
At 31st December, 2006	560,531	–	212,955	49,081	845	2,427	513,240	5,282	2,902,725	4,247,086	29,748	4,276,834

In accordance with the Macau Commercial Codes, a branch (the "Branch") of Asia Insurance Company, Limited, a wholly-owned subsidiary of the Company, whose principal operation is conducted in Macau, is required to appropriate annually not less than 25% of its profit after tax to the statutory reserve, until the balance of the reserve reaches 50% of the entity's capital fund, which was achieved in prior years. The statutory reserve may be utilised by the Branch for certain restricted purposes including offsetting against the accumulated losses, if any, arising under certain specified circumstances.

31. RESERVES (cont'd)

Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January, 2005		560,531	63,810	210,280	–	183,637	1,018,258
Profit for the year	10	–	–	–	–	197,240	197,240
Interim 2005 dividend	11	–	(23,276)	–	–	–	(23,276)
Proposed final 2005 dividend	11	–	(40,534)	–	–	(41,993)	(82,527)
At 31st December, 2005 and 1st January, 2006		560,531	–	210,280	–	338,884	1,109,695
Profit for the year	10	–	–	–	–	3,413,843	3,413,843
Interim 2006 dividend	11	–	–	–	–	(52,901)	(52,901)
Special dividend	11	–	–	–	–	(1,269,626)	(1,269,626)
Proposed final 2006 dividend	11	–	–	–	–	(115,801)	(115,801)
Transfer to retained profits upon disposal of a subsidiary		–	–	(150,220)	–	150,220	–
Repurchase of shares	30	–	–	–	–	(11,097)	(11,097)
Transfer to capital redemption reserve	30	–	–	–	5,282	(5,282)	–
At 31st December, 2006		560,531	–	60,060	5,282	2,448,240	3,074,113

The Company's contributed surplus arose from the Group reorganisation in 1990, and represents the difference between the nominal value of the Company's shares issued under the reorganisation and the then consolidated net asset value of the acquired subsidiaries.

Under the Bermuda Companies Act 1981, the Company's contributed surplus was distributable to shareholders.

32. INSURANCE CONTRACTS LIABILITIES

Group

	Notes	2006 Insurance contracts liabilities HK$'000	2006 Reinsurers' share of liabilities HK$'000	2006 Net HK$'000	2005 Insurance contracts liabilities HK$'000	2005 Reinsurers' share of liabilities HK$'000	2005 Net HK$'000
Life insurance contracts	(a)	**15,934**	**–**	**15,934**	14,521	–	14,521
General insurance contracts	(b)	**1,080,070**	**(371,238)**	**708,832**	1,046,926	(411,889)	635,037
Total insurance contract liabilities		**1,096,004**	**(371,238)**	**724,766**	1,061,447	(411,889)	649,558
			(note 27)			(note 27)	

(a) Life insurance contracts liabilities are analysed as follows:

	Notes	2006 Insurance contracts liabilities HK$'000	2006 Reinsurers' share of liabilities HK$'000	2006 Net HK$'000	2005 Insurance contracts liabilities HK$'000	2005 Reinsurers' share of liabilities HK$'000	2005 Net HK$'000
Life reserve	(1)	**15,739**	**–**	**15,739**	14,131	–	14,131
Provision for claims	(2)	**195**	**–**	**195**	390	–	390
		15,934	**–**	**15,934**	14,521	–	14,521

(1) Life reserve is analysed as follows:

	2006 HK$'000	2005 HK$'000
At 1st January	**14,131**	13,258
Increase in the year	**1,608**	873
At 31st December	**15,739**	14,131

32. INSURANCE CONTRACTS LIABILITIES (cont'd)

(a) Life insurance contracts liabilities are analysed as follows: (cont'd)

(2) The provision for claims of life insurance contracts is analysed as follows:

	2006 Insurance contracts liabilities HK$'000	2006 Reinsurers' share of liabilities HK$'000	2006 Net HK$'000	2005 Insurance contracts liabilities HK$'000	2005 Reinsurers' share of liabilities HK$'000	2005 Net HK$'000
At 1st January	**390**	**–**	**390**	100	–	100
Claims incurred during the year	**510**	**–**	**510**	1,096	–	1,096
Claims paid during the year	**(705)**	**–**	**(705)**	(806)	–	(806)
At 31st December	**195**	**–**	**195**	390	–	390

(b) General insurance contracts liabilities are analysed as follows:

	Notes	2006 Insurance contracts liabilities HK$'000	2006 Reinsurers' share of liabilities HK$'000	2006 Net HK$'000	2005 Insurance contracts liabilities HK$'000	2005 Reinsurers' share of liabilities HK$'000	2005 Net HK$'000
Provision for claims reported by policyholders		**435,450**	**(168,817)**	**266,633**	344,858	(135,410)	209,448
Provision for claims incurred but not reported (IBNR)		**220,696**	**(46,730)**	**173,966**	279,035	(105,469)	173,566
Total claims reported and IBNR	(1)	**656,146**	**(215,547)**	**440,599**	623,893	(240,879)	383,014
Provision for unearned premiums	(2)	**410,541**	**(151,007)**	**259,534**	411,893	(165,997)	245,896
Contingency reserve	(3)	**13,383**	**(4,684)**	**8,699**	11,140	(5,013)	6,127
Total general insurance contracts liabilities		**1,080,070**	**(371,238)**	**708,832**	1,046,926	(411,889)	635,037

32. INSURANCE CONTRACTS LIABILITIES (cont'd)

(b) General insurance contracts liabilities are analysed as follows: (cont'd)

(1) The provision for claims reported by policyholders and claims incurred but not reported is analysed as follows:

	2006 Insurance contracts liabilities HK$'000	2006 Reinsurers' share of liabilities HK$'000	2006 Net HK$'000	2005 Insurance contracts liabilities HK$'000	2005 Reinsurers' share of liabilities HK$'000	2005 Net HK$'000
At 1st January	623,893	(240,879)	383,014	530,091	(205,173)	324,918
Claims incurred during the year	305,381	(53,065)	252,316	340,347	(85,055)	255,292
Claims paid during the year	(273,128)	78,397	(194,731)	(246,545)	49,349	(197,196)
At 31st December	656,146	(215,547)	440,599	623,893	(240,879)	383,014

(2) The provision for unearned premiums is analysed as follows:

	2006 Insurance contracts liabilities HK$'000	2006 Reinsurers' share of liabilities HK$'000	2006 Net HK$'000	2005 Insurance contracts liabilities HK$'000	2005 Reinsurers' share of liabilities HK$'000	2005 Net HK$'000
At 1st January	411,893	(165,997)	245,896	369,220	(164,805)	204,415
Premiums written during the year	738,088	(262,573)	475,515	790,254	(299,459)	490,795
Premiums earned during the year	(739,440)	277,563	(461,877)	(747,581)	298,267	(449,314)
At 31st December	410,541	(151,007)	259,534	411,893	(165,997)	245,896

32. INSURANCE CONTRACTS LIABILITIES (cont'd)

(b) General insurance contracts liabilities are analysed as follows: (cont'd)

(3) The contingency reserve is analysed as follows:

	2006			2005		
	Insurance contracts liabilities HK$'000	Reinsurers' share of liabilities HK$'000	Net HK$'000	Insurance contracts liabilities HK$'000	Reinsurers' share of liabilities HK$'000	Net HK$'000
At 1st January	**11,140**	**(5,013)**	**6,127**	6,573	(2,958)	3,615
Increase in the year	**2,243**	**–**	**2,243**	4,567	(2,055)	2,512
Decrease in the year	**–**	**329**	**329**	–	–	–
At 31st December	**13,383**	**(4,684)**	**8,699**	11,140	(5,013)	6,127

33. NET PREMIUMS

	Notes	2006 HK$'000	2005 HK$'000
(a) Gross premiums on insurance contracts			
Gross general insurance premiums:			
Direct underwriting		**595,459**	644,802
Reinsurance accepted		**142,629**	145,452
Total general insurance premiums	32(b)(2)	**738,088**	790,254
Gross life insurance premiums		**2,250**	2,249
Change in unearned premiums		**1,352**	(42,673)
Change in contingency reserve		**(2,243)**	(4,567)
Change in life reserve	32(a)(1)	**(1,608)**	(873)
Total gross premiums		**737,839**	744,390

33. NET PREMIUMS (cont'd)

	Notes	2006 HK$'000	2005 HK$'000
(b) Reinsurers' share of gross premiums on insurance contracts			
Gross general insurance premiums:			
Direct underwriting		**(236,725)**	(261,517)
Reinsurance accepted		**(25,848)**	(37,942)
Total gross general insurance premiums	32(b)(2)	**(262,573)**	(299,459)
Gross life insurance premiums		**(655)**	(744)
Change in unearned premiums		**(14,990)**	1,192
Change in contingency reserve		**(329)**	2,055
Total reinsurers' share of gross premiums		**(278,547)**	(296,956)

34. NET CLAIMS INCURRED

	Notes	2006 HK$'000	2005 HK$'000
(a) Gross claims paid			
Life insurance contracts claims paid	32(a)(2)	**(705)**	(806)
General insurance contracts claims paid	32(b)(1)	**(273,128)**	(246,545)
Total gross claims paid		**(273,833)**	(247,351)
(b) Reinsurers' share of gross claims paid			
Life insurance contracts claims paid		**–**	–
General insurance contracts claims paid	32(b)(1)	**78,397**	49,349
Total reinsurers' share of gross claims paid		**78,397**	49,349

34. NET CLAIMS INCURRED (cont'd)

	2006 HK$'000	2005 HK$'000
(c) Gross change in outstanding claims		
Change in life insurance outstanding claims	**195**	(290)
Change in general insurance outstanding claims	**(32,253)**	(93,802)
Total gross change in outstanding claims	**(32,058)**	(94,092)
(d) Reinsurers' share of gross change in outstanding claims		
Life insurance outstanding claims	**–**	–
General insurance outstanding claims	**(25,332)**	35,706
Total reinsurers' share of gross change in outstanding claims	**(25,332)**	35,706

35. OTHER LIABILITIES

	Group		Company	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Interest payables	**–**	64,013	**–**	–
Bills payable	**–**	50,481	**–**	–
Accruals and other payables	**92,710**	232,685	**12,232**	5,075
	92,710	347,179	**12,232**	5,075

The Group's and Company's other liabilities were current in nature as at 31st December, 2006 and 2005.

The carrying amount of other liabilities approximates its fair values.

36. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Group – 2006

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of buildings HK$'000	Revaluation of investment properties HK$'000	Total HK$'000
At 1st January, 2006	2,893	27,916	1,037	31,846
Deferred tax debited to the income statement during the year (note 9)	430	–	–	430
Deferred tax credited to the asset revaluation reserve (note 31)	–	(654)	–	(654)
Disposal of subsidiaries	(1,871)	(17,428)	(1,037)	(20,336)
Gross deferred tax liabilities at 31st December, 2006	1,452	9,834	–	11,286

Deferred tax assets

	Collective impairment allowance HK$'000
At 1st January, 2006	3,512
Disposal of subsidiaries	(3,512)
Gross deferred tax assets at 31st December, 2006	–
Net deferred tax liabilities at 31st December, 2006	11,286

36. DEFERRED TAX (cont'd)

Group – 2005

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of buildings HK$'000	Revaluation of investment properties HK$'000	Total HK$'000
At 1st January, 2005	2,893	27,916	–	30,809
Deferred tax debited to the income statement during the year	–	–	1,037	1,037
Gross deferred tax liabilities at 31st December, 2005	2,893	27,916	1,037	31,846

Deferred tax assets

	Collective impairment allowance HK$'000
At 1st January, 2005	4,886
Deferred tax debited to the income statement during the year	(1,374)
Gross deferred tax assets at 31st December, 2005	3,512
Net deferred tax liabilities at 31st December, 2005	28,334

The Group has tax losses arising in Hong Kong of HK$7,163,000 (2005: HK$82,999,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

37. CERTIFICATES OF DEPOSITS ISSUED

As at 31st December, 2006, the Group did not have any certificates of deposits issued. The maturity profile of certificates of deposits issued by the Group as at 31st December, 2005 was as follows:

	HK$'000
With a residual maturity of:	
Three months or less	99,992
One year or less but over three months	404,726
Five years or less but over one year	918,733
	1,423,451

38. DEPOSITS FROM CUSTOMERS

As at 31st December, 2006, the Group did not have any deposits from customers. The maturity profile of the deposits from customers as at 31st December, 2005 was as follows:

	HK$'000
Repayable on demand	2,280,716
With a residual maturity of:	
Three months or less	8,473,831
One year or less but over three months	405,416
Five years or less but over one year	14,979
	11,174,942

39. DEPOSITS AND BALANCES OF BANKS AND OTHER FINANCIAL INSTITUTIONS

As at 31st December, 2006, the Group did not have any deposits and balances of banks and other financial institutions. The maturity profile of the deposits and balances of banks and other financial institutions as at 31st December, 2005 was as follows:

	HK$'000
Repayable on demand	81,169
With a residual maturity of:	
Three months or less	832,836
One year or less but over three months	52,374
	966,379

40. LOANS TO DIRECTORS AND OFFICERS

The loans to directors and officers of the Company and its subsidiaries disclosed pursuant to Section 161B(10) of the Hong Kong Companies Ordinance, are as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Aggregate amount of relevant loans outstanding at the balance sheet date	**2,146**	37,840
Maximum aggregate amount of relevant loans outstanding during the year	**37,840**	65,435

The loans granted to directors and officers are carried out on essentially the same terms with other customers and/or at prevailing market rates and have no fixed terms of repayment.

As at 31st December, 2005, included in the above balances was a loan granted by the Company's banking group to an officer, which was secured by a property at a fair value of HK$350,000, which was disposed of via the disposal of ACB Group during the year.

41. DISPOSAL OF SUBSIDIARIES

	2006 HK$'000	2005 HK$'000
Net assets disposed of:		
Property, plant and equipment	256,799	–
Investment properties	15,000	–
Intangible assets	551	–
Interest in a jointly-controlled entity	1,500	–
Held-to-maturity securities	3,724,479	–
Available-for-sale securities	6,804	–
Loans and advances and other assets	9,366,020	–
Securities measured at fair value through profit or loss	25,739	–
Derivative receivables	56,401	–
Trade bills	35,022	–
Placements with banks and other financial institutions maturing between one and twelve months*	360,472	–
Cash and cash equivalents*	2,621,580	–
Derivative payables	(50,254)	–
Other liabilities	(371,828)	–
Tax payable	(6,519)	–
Deferred tax liabilities	(16,824)	–
Certificates of deposits issued	(1,423,691)	–
Deposits from customers	(12,040,469)	–
Deposits and balances of banks and other financial institutions	(771,262)	–
	1,789,520	–
Gain on disposal of subsidiaries	2,628,293	–
Consideration	4,417,813	–
Satisfied by cash	4,417,813	–

* *Included in the above balances represented placements with banks and other financial institutions and cash and cash equivalents of HK$215,452,000 and HK$79,093,000, respectively, with original maturity of more than three months.*

41. DISPOSAL OF SUBSIDIARIES (cont'd)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the ACB Group is as follows:

	2006 HK$'000
Cash consideration received, net of expenses	**4,417,813**
Cash and cash equivalents disposed of	**(2,687,507)**
Net inflow of cash and cash equivalents in respect of the disposal of the ACB Group	**1,730,306**

42. OFF-BALANCE SHEET EXPOSURES

(a) Contingent liabilities and commitments

The Group did not have any contingent liability and commitment as at 31st December, 2006. The summary of the contractual amount of each significant class of contingent liabilities and commitments of the Group (which are attributable to its banking business) which remained outstanding at 31st December, 2005 is as follows:

	HK$'000
Direct credit substitutes	62,226
Transaction-related contingencies	1,629
Trade-related contingencies	210,134
Forward forward deposits placed	123,948
Forward asset purchases	13,029
Other commitments with original maturity of:	
Under one year or which are unconditionally cancellable	3,195,382
One year and over	223,496
	3,829,844

42. OFF-BALANCE SHEET EXPOSURES (cont'd)

(b) The aggregate replacement costs and credit risk weighted amounts of the above off-balance sheet exposures as at 31st December, 2005 are:

Group

	Replacement costs HK$'000	Credit risk weighted amount HK$'000
Direct credit substitutes	–	46,209
Transaction-related contingencies	–	–
Trade-related contingencies	–	38,965
Forward forward deposits placed	–	24,790
Forward asset purchases	–	2,606
Other commitments with an original maturity of one year and over	–	111,748
Foreign exchange rate contracts	4,775	17,557
Interest rate swap	–	150
	4,775	242,025

The Group had not entered into any bilateral netting arrangements and accordingly the above amounts are shown on a gross basis. The credit risk weighted amounts were calculated in accordance with the Third Schedule of the Banking Ordinance and guidelines issued by the Hong Kong Monetary Authority. The amounts calculated were dependent upon the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments and from 0% to 50% for exchange rate contracts. The replacement cost represented the cost of replacing all contracts which had a positive value when marked to market.

43. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally also require the tenants to pay security deposits.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**–**	822
In the second to fifth years, inclusive	**–**	–
	–	822

(b) As lessee

The Group leases certain of its buildings under operating lease arrangements. Leases for buildings are negotiated for terms ranging from one to three years. The terms of the leases generally require the Group to pay security deposits.

At 31st December, 2006, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**1,560**	4,613	**45**	–
In the second to fifth years, inclusive	**2,146**	3,132	**–**	–
	3,706	7,745	**45**	–

44. COMMITMENTS

At the balance sheet date, the Group had capital commitments as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Contracted, but not provided for	**11,832**	1,072
Authorised, but not contracted for	**–**	9,008
	11,832	10,080

The Company did not have any significant capital commitments at the balance sheet date.

45. RELATED PARTY TRANSACTIONS

(a) Group

	2006		2005	
	Directors and key management personnel HK$'000	**Enterprises and individuals related to directors and key management personnel HK$'000**	Directors and key management personnel HK$'000	Enterprises and individuals related to directors and key management personnel HK$'000
Loans and advances granted:				
Aggregate balance at the balance sheet date	**2,146**	**6,235**	7,648	50,720
Interest income received and receivables	**93**	**–**	293	681
Deposits received:				
Aggregate balance at the balance sheet date	**–**	**–**	69,551	547,028
Interest expense paid and payables	**–**	**–**	1,654	14,172
Interbank activities:				
Deposits placed	**–**	**257,168**	–	92,557
Deposits received	**–**	**–**	–	11,674
Interest income	**–**	**10,214**	–	6,142
Interest expense	**–**	**–**	–	2,455
Standby credit facilities available to the Group	**–**	**–**	–	387,755
Premium income:				
Gross premiums written	**173**	**1,095**	168	1,130
Commission expense, net	**–**	**534**	–	878
Rental expense	–	**–**	–	780

45. RELATED PARTY TRANSACTIONS (cont'd)

(b) The Group had the following transactions with the jointly-controlled entities during the year:

	2006 HK$'000	2005 HK$'000
Loans and advances granted	**31,000**	31,000
Deposits received:		
Aggregate balance at the balance sheet date	**–**	70,808
Interest expense paid and payables	**–**	1,073
Reinsurance premium ceded	**9**	5
Service fee expense paid	**–**	5,753

(c) The Group had the following transaction with an associate during the year:

	2006 HK$'000	2005 HK$'000
Commission expense paid	**15,243**	14,797

(d) Details of the Group's advances to its jointly-controlled entities and associates as at the balance sheet date are included in notes 18 and 19 to the financial statements, respectively.

(e) Details of compensation for key management personnel, who are the directors of the Company, and post-employment benefits of the Group, are included in notes 7 and 8 to the financial statements.

46. INSURANCE CONTRACTS LIABILITIES AND REINSURANCE ASSETS – TERMS, ASSUMPTIONS AND SENSITIVITIES

General insurance contracts

(1) *Terms and conditions*

The major classes of general insurance written by the Group include property damage, ships, goods in transit, pecuniary loss, accident and health, general liability, employees' compensation and motor insurances. Risks under these policies usually cover a 12-month duration.

For general insurance contracts, claims provisions (comprising provisions for claims reported by policyholders and claims incurred but not yet reported) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on the known facts at the balance sheet date.

The provisions are refined regularly as part of an ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

The measurement process primarily includes projection of future claims costs through a combination of actuarial and statistical projection techniques like the Chain Ladder and Bornheutter Ferguson method calculated by an external actuary. In certain cases, where there is a lack of reliable historical data on which to estimate claims development, relevant benchmarks of similar business are used in developing claims estimates. Claims provisions are separately analysed by class of business. In addition, larger claims are usually separately assessed by loss adjusters. The claims projection assumptions are generally intended to provide the best estimate of the most likely or expected outcome.

(2) *Assumptions*

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs and claim numbers for each accident year. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

46. INSURANCE CONTRACTS LIABILITIES AND REINSURANCE ASSETS – TERMS, ASSUMPTIONS AND SENSITIVITIES (cont'd)

General insurance contracts (cont'd)

(3) Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain assumptions like legislative change, uncertainty in the estimation process, etc, is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the balance sheet date.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognised in subsequent financial statements.

(4) Loss development triangle

Reproduced below is an exhibit that shows the development of claims over a period of time on a gross and net basis.

The tables show the cumulative incurred claims, including both notified and IBNR claims, for each successive accident year at each balance sheet date, together with cumulative claims as at the current balance sheet date.

46. INSURANCE CONTRACTS LIABILITIES AND REINSURANCE ASSETS – TERMS, ASSUMPTIONS AND SENSITIVITIES (cont'd)

General insurance contracts (cont'd)

(4) Loss development triangle (cont'd)

Gross general insurance claims

Accident year	2001 and before HK$'000	2002 HK$'000	2003 HK$'000	2004 HK$'000	2005 HK$'000	2006 HK$'000	Total HK$'000
Accident year	460,141	193,696	271,111	343,231	397,590	339,583	2,005,352
One year later	478,931	213,745	265,153	317,189	372,073	–	1,647,091
Two years later	479,239	199,937	233,142	290,479	–	–	1,202,797
Three years later	505,216	202,457	241,905	–	–	–	949,578
Four years later	503,132	200,877	–	–	–	–	704,009
Five years later	513,974	–	–	–	–	–	513,974
Current estimate of cumulative gross claims	513,974	200,877	241,905	290,479	372,073	339,583	1,958,891
Cumulative gross payments to date	(474,363)	(183,781)	(179,889)	(196,803)	(190,801)	(77,108)	(1,302,745)
Total gross general insurance claims liability as per the balance sheet	39,611	17,096	62,016	93,676	181,272	262,475	656,146
							(Note 32(b))

Net general insurance claims

Accident year	2001 and before HK$'000	2002 HK$'000	2003 HK$'000	2004 HK$'000	2005 HK$'000	2006 HK$'000	Total HK$'000
Accident year	225,033	67,518	151,658	217,908	240,395	211,676	1,114,188
One year later	287,712	127,175	168,110	225,626	267,267	–	1,075,890
Two years later	300,779	129,964	168,962	230,275	–	–	829,980
Three years later	308,626	131,195	173,745	–	–	–	613,566
Four years later	307,659	128,821	–	–	–	–	436,480
Five years later	314,369	–	–	–	–	–	314,369
Current estimate of cumulative net claims	314,369	128,821	173,745	230,275	267,267	211,676	1,326,153
Cumulative net payments to date	(288,474)	(116,450)	(132,894)	(152,955)	(146,590)	(48,191)	(885,554)
Total net general insurance claims liability as per the balance sheet	25,895	12,371	40,851	77,320	120,677	163,485	440,599
							(Note 32(b))

In 2006 calendar year, the prior year net reserve estimates increased by HK$40,640,000 (2005: HK$8,834,000). This is primarily attributable to additional notifications on certain commercial contracts in 2001 and prior accident years with exposure to latent claims where there is a significant delay in the reporting of notified claims.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has established policies and procedures for identifying, evaluating, monitoring and controlling the various types of risks pertaining to the Group's businesses. The key risks include credit risk, liquidity risk, capital management risk, interest rate risk, foreign exchange risk, insurance risk and operational risk.

The overall internal control environment and the management policies for the major types of risks are as follows:

(1) Internal control environment

The internal control framework of the Group comprises comprehensive control policies and standards. The areas of responsibilities of each business and operational unit are clearly defined. Internal control procedures have been established based on the risk inherent in the individual business unit.

The internal audit department plays an important role in the Group's internal control framework. It monitors the effectiveness of the internal control procedures and ensures compliance with the policies and standards across the whole Group. A direct reporting line to the audit committee under the board of directors safeguards its independence. The audit committee meets periodically to review and discuss financial performance, internal control and compliance issues and matters raised by the external auditors to ensure that all audit recommendations are implemented.

(2) Credit risk management

Credit risk is the risk that a customer or counterparty in a transaction may default. It arises from the credit terms which extend to clients, intermediates, reinsurers and other activities undertaken by the Group. To manage credit risk, the Group has considered the underlying security and the long-established business relationship with the counterparty.

(3) Liquidity risk management

Liquidity risk is the risk that the Group cannot meet its current obligations as they fall due. To manage liquidity risk, the Group has established liquidity management policies that are pertinent to the operations of business units.

(4) Capital management risk

The Group's policy is to maintain a strong capital base to support the development of the Group's business and to meet the statutory capital or solvency margin requirements.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(5) Interest rate risk management

Interest rate risk is the risk that the Group's position may be adversely affected by a change of market interest rates. The Group's interest rate risk arises primarily from timing differences in the maturity and repricing of the Group's interest-bearing assets and liabilities.

(6) Foreign exchange risk management

Foreign exchange risk is the risk that the holding of foreign currencies will affect the Group's position as a result of a change in foreign currency exchange rates. The Group's foreign exchange risk primarily arises from its overseas operations, reinsurance and investment activities.

(7) Insurance risk management

The business of the Group comprises both life and general insurance contracts, and general insurance contracts represent more than 95% of its total gross premiums written.

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, actual benefits paid which are greater than originally estimated and subsequent development of long tail claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcome.

The variability of risks is also improved by careful selection and implementation of underwriting strategies, arrangements of reinsurance, strict claim review policies to assess all new and ongoing claims as well as the investigation of possible fraudulent claims. The Group also enforces a policy of actively managing and promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

The majority of reinsurance business ceded is placed on both the proportional and excess of loss bases with retention limits varying by product line. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the balance sheet as reinsurance assets.

Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurers is unable to meet its obligations assumed under such reinsurance agreements.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(7) Insurance risk management (cont'd)

The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract. The Group also considers the underlying security and long-established business relationship with the reinsurers.

The Group also has limited its exposure to a certain level by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, such as hurricanes, earthquakes and flood damages. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a pre-determined maximum amount based on the Group's risk appetite as decided by management. For a single realistic catastrophic event, this maximum amount is less than 5% of the shareholders' equity on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 5% of the shareholders' equity.

(8) Operational risk management

Operational risk is the risk of financial loss resulting from procedural errors, system failures, frauds and other events.

The Group manages operational risk by maintaining adequate documentation of its operating procedures to facilitate training and quality performance. A proper internal control system is incorporated in the operation workflow to minimise the risk of losses caused by human errors. To reduce the interruptions to business activities caused by system failures or natural disasters, back-up systems and contingency business resumption plans are in place for critical business and back-office functions. Detailed recovery procedures are properly documented, with periodic drills conducted to ensure that the procedures are current and correct.

(9) Fair value measurement principles

The fair values of financial instruments are based on their quoted market prices at the balance sheet date, or the date close to the balance sheet date, without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices unless the position is immaterial. In such case, mid rate will be applied for both long and short positions.

If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including the use of recent arm's length market transactions, with reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques or any other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(9) Fair value measurement principles (cont'd)

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates, and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the balance sheet date.

48. LITIGATION

A claim for approximately HK$16 million was brought against a then subsidiary in 1997 by a former client alleging that the subsidiary was liable for compensation on a loss of profit suffered by that client. During the year, the Group achieved an out-of-court settlement with the plaintiff and the loss attributable to the Group's results for the year ended 31st December, 2006 amounted to approximately HK$6.8 million.

49. POST BALANCE SHEET EVENT

On 27th March, 2007, the Company made an announcement regarding the Group's possible investment ("Proposed Investment") in ordinary shares of Bumrungrad International Limited ("BIL"), a company incorporated in Thailand with limited liability and an independent third party to the Group. BIL is a subsidiary of Bumrungrad Hospital Public Company Limited ("BHPCL"), which is listed on The Stock Exchange of Thailand. The principal businesses of BIL mainly comprised of hospital ownership and provision of operational and information system support to private hospitals and healthcare services in Asia and Middle East. Up to the date of this report, no definitive agreements concerning the Proposed Investments have been entered into by the Company and BIL. Further details of the Investment had set out in announcement made by the Company dated 27th March, 2007.

50. COMPARATIVE AMOUNTS

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 financial statements have been revised accordingly.

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27th March, 2007.