
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Public Financial Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



大眾金融控股有限公司*

PUBLIC FINANCIAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 626)

**VERY SUBSTANTIAL ACQUISITION:
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
ASIA COMMERCIAL BANK LIMITED**

A notice convening the special general meeting of Public Financial Holdings Limited to be held on Tuesday, 23 May 2006, at 4:00 p.m. at Rose Room, Lower Level II, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong is set out on pages 277 and 278 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the special general meeting if you so wish.

28 April 2006

* For identification purpose only

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	
1. Introduction	5
2. Share Purchase Agreement	6
3. Information on ACB	9
4. Reasons for the Acquisition	9
5. Financing for the Acquisition	10
6. Financial effects of the Acquisition	10
7. Special General Meeting	11
8. Voting undertakings by each of the controlling shareholders of AFH and the Company	12
9. Right to demand a poll at general meeting	12
10. Recommendation	13
11. Additional information	13
APPENDIX I – FINANCIAL INFORMATION ON THE GROUP	14
APPENDIX II – ACCOUNTANTS’ REPORT ON ACB	94
APPENDIX III – PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP	173
APPENDIX IV – FURTHER FINANCIAL INFORMATION	191
APPENDIX V – VALUATION REPORT	203
APPENDIX VI – GENERAL INFORMATION	266
NOTICE OF SPECIAL GENERAL MEETING	277

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“ACB”	Asia Commercial Bank Limited, a company incorporated in Hong Kong with limited liability and an authorised institution under the Banking Ordinance
“ACB Group”	ACB and its subsidiaries
“ACB Shares”	8,100,000 ordinary shares of HK\$100 each in the capital of ACB, representing the entire issued share capital of ACB
“Accounts”	the audited consolidated financial statements of ACB Group comprising a consolidated profit and loss account, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, notes, auditors’ and directors’ reports prepared in accordance with applicable laws and generally accepted accounting principles, standards and practices in Hong Kong (including the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants) and the rules and determinations of the HKMA
“Acquisition”	the acquisition by the Company from AFH of the ACB Shares subject to and upon the terms and conditions of the Share Purchase Agreement
“AFH”	Asia Financial Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange, being the seller under the Share Purchase Agreement
“associate”	has the meaning ascribed thereto under the Listing Rules
“Banking Ordinance”	the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
“Board”	the board of Directors
“Bye-law(s)”	the bye-laws of the Company

DEFINITIONS

“Company”	Public Financial Holdings Limited (formerly known as JCG Holdings Limited), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange, being the purchaser under the Share Purchase Agreement
“Completion”	completion of the sale and purchase of the ACB Shares in accordance with the Share Purchase Agreement
“Completion Date”	the date on which the sale and purchase of the ACB Shares in accordance with the Share Purchase Agreement is completed
“Conditions”	the conditions to Completion which are set out in the paragraph headed “Conditions” in the Letter from the Board of this circular
“Consideration”	the consideration for the ACB Shares to be paid by the Company pursuant to the Share Purchase Agreement
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Enlarged Group”	the Group immediately after Completion
“Final Net Asset Value”	the unaudited Net Asset Value on the Reference Date as agreed between AFH and the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“HKMA”	the Hong Kong Monetary Authority
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Interim Accounts”	the unaudited consolidated financial statements of ACB Group for the six months ended 30 June 2005 prepared in accordance with applicable laws and generally accepted accounting principles, standards and practices in Hong Kong (including the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants) and the rules and determinations of the HKMA
“Latest Practicable Date”	24 April 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Net Asset Value”	an amount in Hong Kong dollars equal to the aggregate book value of all the assets of ACB Group minus the aggregate book value of all the liabilities of ACB Group
“PRC”	the People’s Republic of China
“Public Bank Group”	Public Bank Berhad (a company incorporated in Malaysia and the shares of which are listed on Bursa Malaysia Securities Berhad), which is the controlling shareholder of the Company, and its subsidiaries
“Reference Date”	the last day of the last month immediately preceding the Completion Date
“Rights Issue”	the issue by way of rights of 364,632,206 new Shares at HK\$7.30 per Share on the basis of one new Share for every two existing Shares, details of which are set out in the rights issue prospectus of the Company dated 17 March 2006
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“SGM”	a special general meeting of the Company convened to be held on Tuesday, 23 May 2006 at 4:00 p.m. at Rose Room, Lower Level II, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong or any adjournment thereof
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Share Purchase Agreement”	the share purchase agreement dated 14 February 2006 entered into between the Company as purchaser and AFH as seller in relation to the Acquisition
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent.

LETTER FROM THE BOARD



大眾金融控股有限公司*

PUBLIC FINANCIAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 626)

Non-executive Directors:

Tan Sri Dato' Sri Dr. Teh Hong Piow (*Chairman*)

Dato' Sri Tay Ah Lek

Dato' Chang Kat Kiam

Wong Kong Ming

Registered office:

Clarendon House

Church Street

Hamilton HM 11

Bermuda

Executive Directors:

Tan Yoke Kong

Lee Huat Oon

Head Office and Principal Place of

Business:

1105-7 Wing On House

71 Des Voeux Road Central

Hong Kong

Independent Non-executive Directors:

Dato' Yeoh Chin Kee

Geh Cheng Hooi, Paul

Lee Chin Guan

28 April 2006

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION:
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
ASIA COMMERCIAL BANK LIMITED**

1. INTRODUCTION

On 15 February 2006, the Board announced that the Company and AFH entered into the Share Purchase Agreement pursuant to which AFH has agreed to sell, and the Company has agreed to purchase, the entire issued share capital of ACB for a consideration of HK\$4,499,550,000, subject to potential adjustments mentioned below.

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Pursuant to Rule 14.49 of the Listing Rules, the Acquisition is conditional on the approval by the Shareholders at the SGM.

The Acquisition is also conditional on or (where applicable) waiver of the Conditions set out below.

* *For identification purpose only*

LETTER FROM THE BOARD

The purpose of this circular is to give you further information regarding the Acquisition, the terms and conditions of the Share Purchase Agreement and the other information of the Enlarged Group and to give you notice of the SGM at which an ordinary resolution will be proposed to approve the Acquisition.

2. SHARE PURCHASE AGREEMENT

Date: 14 February 2006

Parties: (1) Seller : AFH
(2) Purchaser : the Company

AFH is an investment holding company. Its subsidiaries are principally engaged in the provision of banking, insurance and investment services. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, AFH and its ultimate beneficial owner are third parties independent of and not connected with the Company and connected persons (as defined in the Listing Rules) of the Company.

Subject matter of Acquisition:

8,100,000 ordinary shares of HK\$100 each in the share capital of ACB, representing the entire issued share capital of ACB. Under the terms of the Share Purchase Agreement, there are no restrictions on the subsequent sale of the ACB Shares by the Company.

Consideration:

The Consideration is HK\$4,499,550,000. The Consideration is payable by the Company to AFH in cash on Completion.

The Consideration is subject to potential adjustments as follows:

- (1) should the Final Net Asset Value be lower than the Net Asset Value shown in the Interim Accounts, AFH shall pay to the Company an amount equal to the difference between: (i) the Net Asset Value shown in the Interim Accounts and (ii) the Final Net Asset Value;
- (2) should the Final Net Asset Value be higher than the Net Asset Value shown in the Interim Accounts, the Company shall pay to AFH an amount equal to the difference between: (i) the Final Net Asset Value and (ii) the Net Asset Value shown in the Interim Accounts.

LETTER FROM THE BOARD

If the Consideration needs to be adjusted as mentioned above, AFH shall pay the Company or the Company shall pay AFH (as the case may be) the amount of the adjustment within 5 business days following the determination of the Final Net Asset Value. The Final Net Asset Value will be determined within approximately three months after Completion. A further announcement will be made if the Consideration is adjusted as mentioned above.

The Consideration was arrived at on an arm's length basis between AFH and the Company.

Conditions:

The sale and purchase of the ACB Shares pursuant to the Share Purchase Agreement are conditional upon the satisfaction or (where applicable) waiver of the following conditions:

1. the passing at a duly convened and held general meeting of AFH of a resolution to approve the arrangements described in the Share Purchase Agreement;
2. the passing at a duly convened and held general meeting of the Company of a resolution to approve the arrangements described in the Share Purchase Agreement;
3. no order or judgment of any court or governmental, statutory or regulatory body having been issued or made prior to Completion, and no legal or regulatory requirements remaining to be satisfied which has the effect of making unlawful or otherwise prohibiting the purchase of the ACB Shares by the Company;
4. receipt by the Company of the consent of the HKMA as required under the Banking Ordinance in respect of (i) each of the persons who will become a controller (as such term is defined in the Banking Ordinance) of ACB upon Completion and in respect of the appointment of such directors, chief executive and executive officers of ACB as are nominated by the Company; and (ii) the creation by the Company of a first ranking legal charge over the ACB Shares to secure a short-term bridging loan facility to the Company for the purpose of financing its acquisition of the ACB Shares pursuant to the Share Purchase Agreement;
5. if so required, the receipt by the Company of the approval of the SFC under section 132 of the SFO to the Company becoming a substantial shareholder of ACB;

LETTER FROM THE BOARD

6. receipt by Public Bank Berhad (the controlling shareholder of the Company) of the approval of Bank Negara Malaysia (the Central Bank of Malaysia) for the acquisition of the ACB Shares by the Company pursuant to section 29 of the Banking and Financial Institutions Act, 1989 of Malaysia; and
7. if so required, the receipt by the Company of the approval of the China Banking and Regulatory Commission to the change in control of ACB as contemplated by the Share Purchase Agreement in connection with the Shenzhen branch of ACB.

The Conditions set out in items 1, 2, 4, 5, 6 and (if applicable) 7 may not be waived by any party to the Share Purchase Agreement. If any of the Conditions is not fulfilled or waived by the Company or AFH, as the case may be, on or before 5:00 p.m. on 31 August 2006 or such later time and date as may be agreed in writing between AFH and the Company, the Share Purchase Agreement shall automatically terminate.

The Condition set out in item 6 has been fulfilled. In addition, in relation to the Condition set out in item 7, the Company has subsequently obtained an advice from its PRC legal advisers advising that the change in control of ACB as contemplated by the Share Purchase Agreement in connection with the Shenzhen branch of ACB does not require the approval of the China Banking and Regulatory Commission.

The Company has agreed to pay AFH a break fee of HK\$50,000,000 if the Condition set out in item 2 above is not satisfied by 31 August 2006. The break fee is to reinforce the undertaking of the controlling shareholder of the Company to vote in favour of all resolution(s) to approve the arrangements described in the Share Purchase Agreement.

Completion:

Completion of the Share Purchase Agreement shall take place on the Completion Date. Upon Completion, members of ACB Group will become wholly-owned subsidiaries of the Company.

Other terms:

Pursuant to the Share Purchase Agreement, AFH shall procure that all shares held by ACB in, and all shareholder's and other loans made by ACB (if any) to, Bank Consortium Holdings Limited ("BCH") and Hong Kong Life Insurance Limited ("HKLI") be transferred and assigned to AFH (or as it may direct) on or before the Completion Date on terms reasonably acceptable to the Company. On 28 February 2006, ACB has transferred and assigned (as the case may be) the shares in and loan to BCH to AFH at cash considerations of HK\$1 and approximately HK\$31.0 million respectively. On 10 April 2006, ACB has transferred the shares in HKLI to AFH at a cash consideration of approximately HK\$19.6 million.

LETTER FROM THE BOARD

3. INFORMATION ON ACB

ACB is principally engaged in providing a comprehensive range of banking, financial and related services. ACB holds a banking licence under the Banking Ordinance. ACB and one of its subsidiaries, Asia Financial (Securities) Limited, are also corporations deemed licensed and licensed, respectively, to carry on type 1 (dealing in securities) of the regulated activities under the SFO.

According to the Accounts for the three financial years ended 31 December 2003, 2004 and 2005, ACB Group's consolidated net profit before and after taxation and consolidated net assets were as follows:

	Year ended 31 December 2003	Year ended 31 December 2004	Year ended 31 December 2005
Consolidated net profit before taxation of ACB Group	HK\$68,149,000	HK\$125,751,000 (Restated)	HK\$106,332,000
Consolidated net profit after taxation of ACB Group	HK\$56,000,000	HK\$104,864,000	HK\$86,592,000
Consolidated net assets of ACB Group	HK\$1,659,613,000	HK\$1,764,202,000	HK\$1,872,687,000

4. REASONS FOR THE ACQUISITION

The Directors believe that the Acquisition represents a good opportunity for the Group to expand its franchise in Hong Kong and greater China and, to serve its customers better through a combination of the Group's retail and consumer financing expertise and ACB's commercial and mortgage strengths. The Acquisition will also provide opportunities for the Group to tap into wider funding source from the retail deposits market. In arriving at the Consideration, the Board has taken into consideration the following factors:

- (a) the recent profitability and business performance of ACB;
- (b) the unaudited consolidated net asset value of ACB Group as at 30 June 2005;
- (c) the absence of any similar bank in Hong Kong for sale;
- (d) the commercial and retail banking focus of ACB and its retail branch network;
- (e) the asset quality of the loan portfolio of ACB Group;

LETTER FROM THE BOARD

- (f) the potential synergies with the existing consumer financing business of Public Finance Limited, a wholly-owned subsidiary of the Company;
- (g) the potential for the Public Bank Group to add value to the business and operations of ACB Group through the transfer of technology, process and management skill; and
- (h) the assessment of the valuation ratios, including price to book ratios and price to earnings ratios, in respect of ACB Group and the Consideration.

5. FINANCING FOR THE ACQUISITION

The Company intends to finance the Acquisition by way of bank borrowings and the net proceeds of the Rights Issue of approximately HK\$2,660,315,000. The Company has arranged a short-term bridging loan facility of HK\$4,500,000,000 (with mandate letter and facility agreement signed) to finance the Acquisition. As the Rights Issue has been completed, the Company does not intend to draw down the full amount of the short-term bridging loan, but will only draw down such amount to finance the Acquisition having regard to the net proceeds of the Rights Issue already received by the Company. The Company intends to refinance the bridging loan by a medium-term loan and has mandated a lead manager to arrange and underwrite the medium-term loan.

6. FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, members of the ACB Group will become wholly-owned subsidiaries of the Group and their results will be consolidated into the Group's accounts.

Earnings

For the year ended 31 December 2005, the audited net profit after taxation of the Group was approximately HK\$446.3 million and the earnings per Share was approximately HK\$0.623 based on the weighted average number of 715,880,181 Shares in issue as at 31 December 2005.

Upon Completion, the Group shall, on a consolidated basis, be entitled to account for 100% of the earnings/loss after taxation of ACB Group. Taking into account the incremental profit from ACB Group, the Acquisition would have a positive effect on the profit and loss account of the Group.

LETTER FROM THE BOARD

Net asset value

The audited consolidated total assets and total liabilities of the Group as at 31 December 2005 were approximately HK\$4,463.4 million and HK\$2,070.0 million respectively. The audited consolidated net asset value and net tangible assets of the Group as at 31 December 2005 were approximately HK\$2,393.4 million and HK\$2,390.5 million respectively, equivalent to approximately HK\$3.28 per Share on the basis of 729,264,412 Shares in issue as at 31 December 2005. The Group was debt free as at 31 December 2005.

As set out in Appendix III to this circular, assuming Completion took place on 31 December 2005, the unaudited pro forma consolidated total assets and total liabilities of the Enlarged Group would be approximately HK\$23,247.5 million and HK\$18,193.8 million respectively. The unaudited pro forma consolidated net assets of the Enlarged Group would be approximately HK\$5,053.7 million, equivalent to approximately HK\$4.62 per Share on the basis of 1,093,896,618 Shares in issue. The Enlarged Group's bank borrowings (not including deposits and balances of banks and other financial institutions) increased to HK\$1,839.7 million.

Cashflow

The Group has been maintaining a healthy financial position and was debt free as at 31 December 2005. Total cash and cash equivalents of the Group amounted to HK\$458.0 million as at 31 December 2005. The audited consolidated net cash inflow from operating activities of the Group for the year ended 31 December 2005 amounted to HK\$44.7 million. The Acquisition is expected to contribute incremental operating cashflow to the Group.

7. SPECIAL GENERAL MEETING

The Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06 of the Listing Rules. Pursuant to Rule 14.49 of the Listing Rules, the Acquisition is conditional on the approval by the Shareholders at the SGM.

A notice convening the SGM is set out on pages 277 to 278 of this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM if you so wish.

LETTER FROM THE BOARD

As mentioned above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, AFH and its ultimate beneficial owner are third parties independent of and not connected with the Company and connected persons (as defined in the Listing Rules) of the Company. On this basis, and to the best knowledge of the Directors, the Directors are not aware of any Shareholder who has a material interest in the Acquisition and hence, no Shareholder shall be required to abstain from voting at the SGM to approve the Acquisition.

8. VOTING UNDERTAKINGS BY EACH OF THE CONTROLLING SHAREHOLDERS OF AFH AND THE COMPANY

Each of the controlling shareholders of AFH and the Company has undertaken to each of the Company and AFH, respectively that they will vote in favour of all resolution(s) to approve the arrangements described in the Share Purchase Agreement.

9. RIGHT TO DEMAND A POLL AT GENERAL MEETING

Pursuant to Bye-law 76 of the Company, a resolution put to the vote at any general meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

- (i) the chairman; or
- (ii) at least three members present in person or by proxy or by representative for the time being entitled to vote at the meeting; or
- (iii) any member or members present in person or by proxy or by representative and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members present in person or by proxy or by representative and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

LETTER FROM THE BOARD

10. RECOMMENDATION

The Directors (including the independent and non-executive Directors) believe that the terms of the Share Purchase Agreement are fair and reasonable and in the interests of the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM.

11. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Tan Sri Dato' Sri Dr. Teh Hong Piow
Chairman

(A) FINANCIAL SUMMARY

Set out below is the summary of the results and of the assets and liabilities of the Group for the three years ended 31 December 2005, as extracted from the relevant published audited financial statements of the Company.

THREE YEARS' FINANCIAL SUMMARY**Consolidated Profit and Loss Account**

For the years ended 31 December

	2003	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	723,327	712,792	802,660
Interest expense	(32,366)	(13,367)	(36,613)
NET INTEREST INCOME	<u>690,961</u>	<u>699,425</u>	<u>766,047</u>
Other operating income	169,988	181,820	134,180
Amortisation of negative goodwill	–	18,433	–
OPERATING INCOME	<u>860,949</u>	<u>899,678</u>	<u>900,227</u>
Operating expenses	(186,313)	(233,170)	(211,587)
OPERATING PROFIT BEFORE IMPAIRMENT LOSS AND ALLOWANCES/PROVISIONS	<u>674,636</u>	<u>666,508</u>	<u>688,640</u>
Impairment loss and allowances/provisions for impaired financial assets	(415,173)	(173,342)	(158,751)
PROFIT BEFORE TAX	<u>259,463</u>	<u>493,166</u>	<u>529,889</u>
Tax	(27,460)	(80,277)	(83,592)
PROFIT BEFORE MINORITY INTERESTS	<u>232,003</u>	<u>412,889</u>	<u>446,297</u>
Minority interests	130	–	–
PROFIT FOR THE YEAR	<u><u>232,133</u></u>	<u><u>412,889</u></u>	<u><u>446,297</u></u>
DIVIDENDS			
Interim	169,860	318,492	335,461
Special	–	1,238,577	211,487
	<u>169,860</u>	<u>1,557,069</u>	<u>546,948</u>
EARNINGS PER SHARE (HK\$)			
Basis	<u>0.328</u>	<u>0.583</u>	<u>0.623</u>
Diluted	<u>N/A</u>	<u>N/A</u>	<u>0.622</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****Consolidated Balance Sheet***As at 31 December*

	2003	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Restated)	(Restated)	
ASSETS			
Cash and short term placements	1,253,221	790,924	453,009
Placements with banks and financial institutions maturing between one and three months	176,901	5,000	5,000
Loans and advances and receivables	2,961,573	3,103,027	3,512,255
Available-for-sale security investment	13,565	16,744	25,881
Inventories of taxi licences	31,816	29,649	26,988
Investment properties	94,945	106,255	147,987
Property, plant and equipment	27,431	23,120	21,336
Land lease prepayments	263,956	243,184	233,568
Deferred tax assets	33,975	20,365	2,854
Other assets	75,055	10,582	34,418
Intangible asset	152	126	126
Negative goodwill	(73,730)	(55,297)	–
TOTAL ASSETS	4,858,860	4,293,679	4,463,422
EQUITY AND LIABILITIES			
LIABILITIES			
Customer deposits	1,309,344	1,720,381	1,641,978
Declared dividend	141,552	283,104	291,706
Current tax payable	–	39,559	31,555
Deferred tax liabilities	18,016	11,547	13,410
Other liabilities	82,410	72,551	91,339
TOTAL LIABILITIES	1,551,322	2,127,142	2,069,988
EQUITY			
Share capital	70,776	70,776	72,926
Reserves	3,236,762	2,095,761	2,320,508
TOTAL EQUITY	3,307,538	2,166,537	2,393,434
TOTAL EQUITY AND LIABILITIES	4,858,860	4,293,679	4,463,422

No qualified opinion had been issued by the Company's auditors for each of the three years ended 31 December 2005.

(B) AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

Set out below are the audited consolidated financial statements of the Group for the year ended 31 December 2005, together with comparative figures for the previous year and accompanying notes, as extracted from the annual report of the Company for the year ended 31 December 2005.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2005

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest income	5	802,660	712,792
Interest expense		(36,613)	(13,367)
NET INTEREST INCOME		<u>766,047</u>	<u>699,425</u>
Other operating income	5	134,180	181,820
Amortisation of negative goodwill		–	18,433
OPERATING INCOME		<u>900,227</u>	<u>899,678</u>
Operating expenses	6	(211,587)	(233,170)
OPERATING PROFIT BEFORE IMPAIRMENT LOSS AND ALLOWANCES/PROVISIONS		688,640	666,508
Impairment loss and allowances/provisions for impaired financial assets	7	(158,751)	(173,342)
PROFIT BEFORE TAX		<u>529,889</u>	<u>493,166</u>
Tax	10	(83,592)	(80,277)
PROFIT FOR THE YEAR	11	<u><u>446,297</u></u>	<u><u>412,889</u></u>
DIVIDENDS	12		
Interim		335,461	318,492
Special		211,487	1,238,577
		<u><u>546,948</u></u>	<u><u>1,557,069</u></u>
EARNINGS PER SHARE (HK\$)	13		
Basic		<u>0.623</u>	<u>0.583</u>
Diluted		<u>0.622</u>	<u>N/A</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****BALANCE SHEETS***31 December 2005*

	<i>Notes</i>	Group		Company	
		2005	2004	2005	2004
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Restated)		(Restated)
ASSETS					
Cash and short term placements	14	453,009	790,924	369,968	272,328
Placements with banks and financial institutions maturing between one and three months	15	5,000	5,000	445,845	–
Loans and advances and receivables	7	3,512,255	3,103,027	–	–
Available-for-sale security investment	16	25,881	16,744	–	–
Inventories of taxi licences		26,988	29,649	–	–
Investment properties	17	147,987	106,255	45,000	32,412
Property, plant and equipment	18	21,336	23,120	–	–
Land lease prepayments	19	233,568	243,184	–	–
Interests in subsidiaries	20	–	–	1,057,572	1,353,811
Deferred tax assets	26	2,854	20,365	–	–
Other assets	21	34,418	10,582	4,645	159
Intangible asset		126	126	–	–
Negative goodwill		–	(55,297)	–	–
TOTAL ASSETS		4,463,422	4,293,679	1,923,030	1,658,710
EQUITY AND LIABILITIES					
LIABILITIES					
Customer deposits	23	1,641,978	1,720,381	–	–
Declared dividend		291,706	283,104	291,706	283,104
Current tax payable		31,555	39,559	–	–
Deferred tax liabilities	26	13,410	11,547	2,200	–
Other liabilities	24	91,339	72,551	1,313	1,044
TOTAL LIABILITIES		2,069,988	2,127,142	295,219	284,148
EQUITY					
Share capital	27	72,926	70,776	72,926	70,776
Reserves	30	2,320,508	2,095,761	1,554,885	1,303,786
TOTAL EQUITY		2,393,434	2,166,537	1,627,811	1,374,562
TOTAL EQUITY AND LIABILITIES		4,463,422	4,293,679	1,923,030	1,658,710

CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2005

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
TOTAL EQUITY			
Balance at beginning of year			
As previously reported		2,163,280	3,304,281
Prior year adjustments upon adoption of new accounting standards	2	3,257	3,257
As restated before opening adjustments upon adoption of new accounting standards	2	2,166,537	3,307,538
Opening adjustments upon adoption of new accounting standards	2	115,910	–
As restated		2,282,447	3,307,538
Shares issued on exercise of share options, net of expenses		156,736	–
Employee share-based compensation reserve		45,765	–
Surplus on revaluation of available-for-sale security investment		9,137	3,179
Net gain not recognised in the consolidated profit and loss account		211,638	3,179
Profit for the year		446,297	412,889
Dividends paid/declared on shares		(546,948)	(1,557,069)
		(100,651)	(1,144,180)
Balance at end of year		<u>2,393,434</u>	<u>2,166,537</u>

Note: The prior year adjustments and opening adjustments as a result of the adoption of certain new HKFRSs and HKASs are detailed in note 2 to the financial statements.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****CONSOLIDATED CASH FLOW STATEMENT***For the year ended 31 December 2005*

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	31	44,710	780,966
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(1,793)	(1,730)
Proceeds from sale of property, plant and equipment		5	–
Dividends from an available-for-sale security investment		773	2,037
Gain on disposal of a subsidiary		–	46
Net cash (used in)/from investing activities		(1,015)	353
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares issued on exercise of share options, net of expenses		156,736	–
Dividends paid on shares		(538,346)	(1,415,517)
Net cash used in financing activities		(381,610)	(1,415,517)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(337,915)	(634,198)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		795,924	1,430,122
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>458,009</u>	<u>795,924</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and short term placements		453,009	790,924
Placements with banks and financial institutions maturing within three months		5,000	5,000
		<u>458,009</u>	<u>795,924</u>

NOTES TO FINANCIAL STATEMENTS**1. CORPORATE INFORMATION**

The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM 11, Bermuda.

During the year, the Group's principal activities were deposit taking, personal and commercial lending, mortgage financing, stockbroking, the letting of investment properties, the provision of finance to purchasers of taxis and public light buses, the trading of taxi cabs and taxi licences, and the leasing of taxis. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the directors, the ultimate holding company is Public Bank, which is incorporated in Malaysia.

2. IMPACT OF NEW HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs")

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a number of new HKFRSs, and HKASs and Interpretations, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has adopted the following HKFRSs and HKASs issued up to 31 December 2005 which are pertinent to its operations and relevant to these financial statements.

- HKFRS 2 Share-based Payment
- HKFRS 3 Business Combinations
- HKAS 1 Presentation of Financial Statements
- HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- HKAS 16 Property, Plant and Equipment
- HKAS 17 Leases
- HKAS 24 Related Party Disclosures
- HKAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions
- HKAS 32 Financial Instruments: Disclosure and Presentation
- HKAS 36 Impairment of Assets
- HKAS 38 Intangible Assets
- HKAS 39 Financial Instruments: Recognition and Measurement
- HKAS 40 Investment Property
- HK(SIC) – Int 21 Income Taxes – Recovery of Revalued Non-depreciable Assets

These HKFRSs and HKASs prescribe new accounting measurement and disclosure practices. The major and significant effects of the adoption of these HKFRSs and HKASs on the Group's accounting policies and on amounts disclosed in the financial statements are summarised as follows:

- (a) The adoption of HKFRS 2 has resulted in a change in accounting policy for employee share options. Prior to this, no recognition and measurement of share-based transactions in which employees (including directors) were granted share options over shares in the Company was required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. The fair value is determined by adoption of the Black Scholes and Merton pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit and loss account for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

- (b) The adoption of HKFRS 3 and HKAS 36 has resulted in a change in the accounting policy for goodwill. Prior to this, positive goodwill/negative goodwill arising on acquisitions prior to 1 January 2001 was eliminated against/credited to consolidated reserves in the year of acquisition and was not recognised in the profit and loss account until disposal or impairment of the acquired business.

Negative goodwill was carried in the balance sheet and was recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it was related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the consolidated profit and loss account when the future losses and expenses were recognised.

Upon the adoption of HKFRS 3 and HKAS 36, positive goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for positive goodwill is not reversed in a subsequent period.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the profit and loss account.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the positive goodwill and to derecognise the carrying amounts of negative goodwill (including that remaining in consolidated capital reserve) against the opening balance of retained profits. Positive goodwill previously eliminated against consolidated reserves remains eliminated against consolidated reserves and is not recognised in the profit and loss account when all or part of the business to which the positive goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in note 2(l) and (m) to the financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

- (c) HKAS 1 and HKAS 8 have not resulted in significant impact on accounting policies and on amounts disclosed in the financial statements except for reclassification of certain balance sheet items disclosed on the face of the balance sheets and notes to the financial statements.

- (d) HKAS 16 has not resulted in significant impact on accounting policies and on amounts disclosed in the financial statements.

- (e) The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings were previously carried at cost less accumulated depreciation and impairment loss. Following the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to land lease prepayments, while leasehold buildings continue to be classified as part of property, plant and equipment. Land lease prepayments under operating leases is initially stated at cost and subsequently amortised on the straight-line basis over the lease terms.

The effects of the above changes are summarised in note 2(l) and (m) to the financial statements. In accordance with the transitional provisions of HKAS 17, comparative amounts on the balance sheets for the year ended 31 December 2004 have been restated to reflect the reclassification of leasehold land.

- (f) HKAS 24 affects the identification of related parties and the disclosure of related party transactions.

- (g) HKAS 30 has not resulted in significant impact on accounting policies and on amounts disclosed in the financial statements.

- (h) The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for the recognition, measurement, derecognition and disclosure of financial instruments. Prior to this, specific provisions and general provisions are made for loans and advances by applying various percentages to the unsecured portion of loans classified as pass, special mention, substandard, doubtful and loss.

Following the adoption of HKAS 32 and HKAS 39, financial instruments have been classified into loans and receivables and available-for-sale financial assets. Loans and receivables are measured at amortised cost where the carrying amount of the asset is computed by discounting the future cash flows to the present value using the original effective interest rate. The previous approach of maintaining specific and general provisions will be replaced with individual and collective impairment allowances after the adoption of HKAS 39. Where objective evidence of impairment exists, the recoverable amount of an asset is calculated by discounting the future cash flows to the present value using the original effective interest rate taking into account the value of collateral, if any. The difference between the carrying amount and the recoverable amount of the asset is recognised as impairment. Where there is no objective evidence of impairment, impairment is assessed collectively based on expected cash flows and historical loss experience.

Available-for-sale financial assets are measured at fair value, and the classification of financial instruments into available-for-sale financial assets has had no financial impact on the profit and loss account.

The effects of the above changes are summarised in note 2(1) and (m) to the financial statements. In accordance with HKAS 32, the comparative amounts of certain other receivables have been reclassified under loans and advances and receivables for presentation purpose.

- (i) The adoption of HKAS 38 has resulted in a change in accounting policy relating to intangible assets. Intangible assets of the Group represented eligibility rights to trade on or through The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Prior to this, the carrying amounts are stated at cost less accumulated amortisation and impairment losses, if any.

Following the adoption of HKAS 38, the useful life of each intangible asset is assessed to determine if there is any impairment under impairment test. Amortisation of intangible assets is prohibited. Useful lives of intangible assets are reviewed at least annually. Impairment loss is charged to profit and loss account, if any.

The effect of the above changes are summarised in note 2(1) and (m) to the financial statements.

- (j) The adoption of HKAS 40 has resulted in a change in accounting policy for investment properties. Prior to this, changes in the value of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit on a portfolio basis, the excess of the deficit was charged to the profit and loss account. Any subsequent revaluation surplus was credited to the profit and loss account to the extent of the deficit previously charged. Properties rented to a company's parent company or its fellow subsidiaries were not classified as investment properties.

After the adoption of HKAS 40, any changes in the value of investment properties are dealt with in the profit and loss account and there should be no revaluation reserve available for offsetting against revaluation deficits. Properties rented to a company's parent company or its fellow subsidiaries are classified as investment properties.

On adoption of HKAS 40, the Group had restated the comparative amounts to reflect the reclassification of certain properties as investment properties retrospectively for the earliest period presented in the financial statements. The effect of the above changes are summarised in note 2(l) and (m) to the financial statements.

- (k) The adoption of HK(SIC) – Int 21 has resulted in a change in accounting policy for deferred tax. Prior to this, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC) – Int 21, deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through use, and accordingly the profits tax rate has been applied to the calculation of deferred tax.

The effects of the above changes are summarised in note 2(l) and (m) to the financial statements. The change has been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

- (1) Effects of changes in the above accounting policies on the balance sheets are as follows:

Group	Previous accounting policies HK\$'000	Prior year adjustments			Total effect on adoption of HKASs HK\$'000	Adoption of HKASs after prior year adjustments HK\$'000
		HKAS 17		HKAS 40 HK\$'000		
		Reclassi- fication HK\$'000	to retained profits HK\$'000			
At 31 December 2004						
Investment properties	68,740	-	-	37,515	37,515	106,255
Property, plant and equipment	298,049	(293,441)	56,027	(37,515)	(274,929)	23,120
Land lease prepayments	-	293,441	(50,257)	-	243,184	243,184
Loans and advances and receivables	3,103,027	-	-	-	-	3,103,027
Deferred tax assets	20,365	-	-	-	-	20,365
Deferred tax liabilities	(9,034)	-	(2,513)	-	(2,513)	(11,547)
Negative goodwill	(55,297)	-	-	-	-	(55,297)
Intangible asset	126	-	-	-	-	126
Total equity:						
Share capital	70,776	-	-	-	-	70,776
Share premium account	1,209,593	-	-	-	-	1,209,593
Capital redemption reserve	829	-	-	-	-	829
Contributed surplus	96,116	-	-	-	-	96,116
Capital reserve	85,569	-	-	-	-	85,569
Translation reserve	428	-	-	-	-	428
Available-for-sale investment revaluation reserve	16,481	-	-	-	-	16,481
Retained profits	683,488	-	3,257	-	3,257	686,745
	<u>2,163,280</u>	<u>-</u>	<u>3,257</u>	<u>-</u>	<u>3,257</u>	<u>2,166,537</u>

Company	Previous accounting policies <i>HK\$'000</i>	Prior year adjustments HKAS 40 <i>HK\$'000</i>	Adoption of HKASs after prior year adjustments <i>HK\$'000</i>
At 31 December 2004			
Investment properties	–	32,412	32,412
Property, plant and equipment	32,412	(32,412)	–
Total equity:			
Share capital	70,776	–	70,776
Share premium account	1,209,593	–	1,209,593
Capital redemption reserve	829	–	829
Contributed surplus	194,176	–	194,176
Retained profits	(100,812)	–	(100,812)
	<u>1,374,562</u>	<u>–</u>	<u>1,374,562</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

Group	Adoption of	Opening adjustments		Total effect	Adoption of
	HKASs after prior year adjustments	HKFRS 3, HKAS 36 & HKAS 38	HKAS 39	on adoption of HKFRSs & HKASs	HKFRSs & HKASs
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2005					
Investment properties	106,255	–	–	–	106,255
Property, plant and equipment	23,120	–	–	–	23,120
Land lease prepayments	243,184	–	–	–	243,184
Loans and advances and receivables	3,103,027	–	77,246	77,246	3,180,273
Deferred tax assets	20,365	–	(16,633)	(16,633)	3,732
Deferred tax liabilities	(11,547)	–	–	–	(11,547)
Negative goodwill	(55,297)	55,297	–	55,297	–
Intangible asset	126	–	–	–	126
Total equity:					
Share capital	70,776	–	–	–	70,776
Share premium account	1,209,593	–	–	–	1,209,593
Capital redemption reserve	829	–	–	–	829
Contributed surplus	96,116	–	–	–	96,116
Capital reserve	85,569	(85,569)	–	(85,569)	–
Translation reserve	428	(428)	–	(428)	–
Available-for-sale investment revaluation reserve	16,481	–	–	–	16,481
Regulatory reserve	–	–	75,686	75,686	75,686
Retained profits	686,745	141,294	(15,073)	126,221	812,966
	<u>2,166,537</u>	<u>55,297</u>	<u>60,613</u>	<u>115,910</u>	<u>2,282,447</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

Group	Previous accounting policies HK\$'000	HKAS 40, HKFRS 3, HK(SIC)- HKAS 36 & Int 21 HKAS 38 HKFRS 2 HKAS 39					Total effect on adoption Adoption of of HKFRSs HKFRSs & HKASs & HKASs	
		HKAS 17 HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2005								
Investment properties	94,408	-	53,579	-	-	-	53,579	147,987
Property, plant and equipment	286,649	(227,798)	(37,515)	-	-	-	(265,313)	21,336
Land lease prepayments	-	233,568	-	-	-	-	233,568	233,568
Loans and advances and receivables	3,425,295	-	-	-	-	86,960	86,960	3,512,255
Deferred tax assets	19,487	-	-	-	-	(16,633)	(16,633)	2,854
Deferred tax liabilities	(8,697)	(2,513)	(2,200)	-	-	-	(4,713)	(13,410)
Negative goodwill	(36,864)	-	-	36,864	-	-	36,864	-
Intangible asset	100	-	-	26	-	-	26	126
Total equity:								
Share capital	72,926	-	-	-	-	-	-	72,926
Share premium account	1,364,179	-	-	-	-	-	-	1,364,179
Capital redemption reserve	829	-	-	-	-	-	-	829
Contributed surplus	96,116	-	-	-	-	-	-	96,116
Capital reserve	85,569	-	-	(85,569)	-	-	(85,569)	-
Translation reserve	428	-	-	(428)	-	-	(428)	-
Available-for-sale investment revaluation reserve	25,618	-	-	-	-	-	-	25,618
Employee share-based compensation reserve	-	-	-	-	45,765	-	45,765	45,765
Regulatory reserve	-	-	-	-	-	85,400	85,400	85,400
Retained profits	623,431	3,257	13,864	122,887	(45,765)	(15,073)	79,170	702,601
	<u>2,269,096</u>	<u>3,257</u>	<u>13,864</u>	<u>36,890</u>	<u>-</u>	<u>70,327</u>	<u>124,338</u>	<u>2,393,434</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

Company	Previous accounting policies <i>HK\$'000</i>	HKAS 40, HK(SIC)- Int 21 <i>HK\$'000</i>	HKFRS 2 <i>HK\$'000</i>	Total effect on adoption of HKFRSs & HKASs <i>HK\$'000</i>	Adoption of HKFRSs & HKASs <i>HK\$'000</i>
At 31 December 2005					
Investment properties	–	45,000	–	45,000	45,000
Property, plant and equipment	32,412	(32,412)	–	(32,412)	–
Interests in subsidiaries	1,016,038	–	41,534	41,534	1,057,572
Deferred tax liabilities	–	(2,200)	–	(2,200)	(2,200)
Total equity:					
Share capital	72,926	–	–	–	72,926
Share premium account	1,364,179	–	–	–	1,364,179
Capital redemption reserve	829	–	–	–	829
Contributed surplus	194,176	–	–	–	194,176
Employee share-based compensation reserve	–	–	45,765	45,765	45,765
Retained profits	(56,221)	10,388	(4,231)	6,157	(50,064)
	<u>1,575,889</u>	<u>10,388</u>	<u>41,534</u>	<u>51,922</u>	<u>1,627,811</u>

The adoption of new accounting policies had no impact on the Company's balance sheet as at 1 January 2005.

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

- (m) Effects of changes in the above accounting policies on the consolidated profit and loss account are as follows:

Group	HKAS 40,	HKFRS 3,	Total effect			
	HK(SIC)-	HK(SIC)-	on adoption			
	HKAS 17	Int 21	HKAS 38	HKFRS 2	HKAS 39	& HKASs
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended						
31 December 2005						
Increase in interest income	-	-	-	-	39,709	39,709
Decrease in non-interest income	-	-	-	-	(39,709)	(39,709)
Increase in employee share option benefits	-	-	-	(45,765)	-	(45,765)
Increase in deferred tax liabilities	-	(2,200)	-	-	-	(2,200)
Decrease in impairment allowances for impaired financial assets	-	-	-	-	9,714	9,714
Decrease in depreciation	2,863	-	-	-	-	2,863
Increase in amortisation of land lease prepayments	(2,863)	-	-	-	-	(2,863)
Increase in fair value of investment properties	-	16,064	-	-	-	16,064
Decrease in amortisation of negative goodwill	-	-	(18,433)	-	-	(18,433)
Decrease in amortisation of intangible asset	-	-	26	-	-	26
Total increase/(decrease) in profit	-	13,864	(18,407)	(45,765)	9,714	(40,594)
Increase/(decrease) in basic earnings per share (HK\$)	-	0.019	(0.026)	(0.064)	0.014	(0.057)
Increase/(decrease) in diluted earnings per share (HK\$)	-	0.019	(0.026)	(0.064)	0.014	(0.057)

There was no significant financial impact on the 2004 consolidated profit and loss account arising from the adoption of HKFRSs and HKASs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

These financial statements have been prepared in accordance with HKFRSs and HKASs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic revaluation of investment properties, certain items under property, plant and equipment and available-for-sale security investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2005. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Goodwill

Goodwill on the acquisition of subsidiaries, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, is initially measured at cost. Goodwill arising on the acquisition of subsidiaries is recognised in the consolidated balance sheet as an asset.

Goodwill on acquisitions after 1 January 2005 is not amortised. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit are 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 on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill arising on acquisitions before 1 January 2001 was eliminated against the consolidated reserves in the year of acquisition. The Group applied the transitional provision of HKFRS 3 that permitted such goodwill to remain eliminated against the consolidated reserves and that required such goodwill not to be recognised in the consolidated profit and loss account when the Group disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates become impaired.

Excess over the cost of business combination (previously referred to as negative goodwill)

On acquisition of subsidiaries, jointly-controlled entities and associates, if the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of an entity being acquired recognised as at the date of acquisition exceeds the cost of the business combination, the Group shall reassess the identification and measurement of the identifiable assets, liabilities and contingent liabilities of that entity and the measurement of the cost of the business combination; and recognise immediately in the consolidated profit and loss account any excess remaining after that reassessment.

Subsidiaries

A subsidiary is a company 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 profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Related parties

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

- (a) directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with, the Group;
 - (ii) has an interest in the company that gives it significant influence over the Group; or
 - (iii) has joint control over the Group;
- (b) the party is a member of key management personnel of the Company or its parent company;
- (c) the party is a close member of the family of any individual referred to in (a) and (b);
- (d) 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, the individual referred to in (b) or (c);
- (e) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

The building component of owner-occupied leasehold properties and other tangible property, plant and equipment, other than investment properties, are stated at cost, except for certain leasehold buildings which were transferred from investment properties, which are stated at deemed cost at the date of transfer, less accumulated depreciation and impairment. The cost of an asset 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 property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 the fixed asset, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold buildings	2% – 4%
Leasehold improvements:	
Own leasehold buildings	20% – 33 1/3%
Others	Over the shorter of the remaining lease terms or seven years
Furniture, fixtures and equipment	10% – 25%
Motor vehicles	20% – 25%

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

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

An item of property 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 profit and loss account in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Land lease prepayments

Land lease prepayments under operating leases are up-front payments to acquire long term interests in lessee-occupied properties. Land lease prepayments are stated at cost less accumulated amortisation and any impairment, and are amortised over the remaining lease terms on the straight-line basis to the profit and loss account.

Investment properties

Investment properties are interests in land and buildings which are intended to be held on a long term basis for their investment potential, with rental income being negotiated at arm's length. Such properties are not depreciated and amortised and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Any changes in the value of investment properties are dealt with in the profit and loss account in the year in which they arise. 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 accounted for.

Financial instruments**(a) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and are not held for the intention of trading. They are carried at amortised costs using original effective interest method taking into account the unamortised portion of relevant fees and expenses, less any accumulated impairment losses.

(b) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets in equity securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices and are stated at fair value. Gains and losses arising from changes in the fair value are recognised directly in equity, until the financial asset is derecognised at which time the cumulative gain or loss previously recognised in equity is removed and recognised in the profit and loss account.

(c) Financial liabilities

The financial liabilities mainly comprise customer deposits which are carried at amortised cost. They are carried at amortised costs using original effective interest method taking into account the unamortised portion of relevant fees and expenses.

Intangible assets

Intangible assets (other than goodwill), representing eligibility rights to trade on or through the Stock Exchange are stated at net book value as at 1 January 2005. The Group ceased amortisation of its remaining intangible asset from 1 January 2005. The carrying amount of intangible assets is subject to impairment test, and impairment, if any, is charged to profit and loss account.

Inventories

Inventories are stated at the lower of cost and fair value. Cost is determined as the actual cost for taxi cabs and taxi licences. Fair value is based on estimated selling prices less any estimated costs to be incurred on disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash at banks and on hand, net of outstanding bank overdrafts, which are repayable on demand, and short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

Income tax

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

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, except 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.

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, 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.

Impairment allowances**(a) *Impairment allowances and loss for loans and advances and receivables***

Impairment allowances are made on loans and advances and receivables when objective evidence of impairment exists as a result of the occurrence of incurred loss events which will have an impact on the estimated future cash flows of the financial assets. If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the impairment loss recognised in the profit and loss account is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (after deducting losses that have been incurred) discounted at the financial asset's effective interest rate after taking into account the value of collateral, if any.

Incurred loss events, not fully listed, include:

- (i) significant financial difficulty of the issuer or obligor;
- (ii) a serious breach of contract, such as a serious default or delinquency in interest or principal payments;
- (iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider; or
- (iv) it becoming probable that the borrower will become bankrupt or enter into other financial reorganisation.

The impairment allowance is reviewed monthly. 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 profit and loss account, to the extent that the carrying value of the loans and advances and receivables does not exceed its amortised cost at the reversal date.

The Group first assesses whether objective evidence of impairment exists individually for loans that are individually significant, and collectively for loans that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it collectively assesses them for impairment. Loans 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. For the purpose of a collective impairment allowance assessment, loans and advances and receivables are grouped on the basis of similar credit risk characteristics. Future cash flows in a group of loans and advances and receivables that are collectively evaluated for impairment are estimated on the basis of the expected cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Portfolios of small homogeneous loans are collectively assessed using roll rate or historical loss rate methodologies.

Impairment allowance of an individually assessed loan is measured as the difference between the carrying value and the present value of estimated future cash flows discounted at the original effective interest rate of the individual loan after taking into account the value of collateral, if any. The difference between the carrying amount and the recoverable amount of the asset is recognised as impairment.

Uncollectible loans are written off against the related impairment allowances after all the necessary procedures have been completed and the amount of the loss has been determined. Monthly write-offs are made against loans and advances taking into account overdue status and other qualitative factors such as bankruptcy petitions and individual voluntary arrangement of debts by borrowers. Subsequent recoveries of amounts previously written off decrease the amount of the impairment loss and allowances in the profit and loss account.

Reposessed assets refer to the assets reposessed by the Group when secured loans have been overdue and the borrower has been unable to settle the payments in arrears after the Group has exhausted all collection efforts. Action is taken to repossess the assets by the Group via court proceedings or voluntary actions for release in full or in part the obligations of the borrowers. Individual impairment allowances are made for the shortfall in the net realisable value of reposessed assets against the outstanding loans, if any. If the proceeds from subsequent sales of the assets still cannot fully cover the outstanding loans, the amount of the outstanding loans net of sales proceeds will be written off and the individual impairment allowance that has been made will be reversed accordingly.

(b) *Impairment of available-for-sale financial assets*

Available-for-sale financial assets are assessed for objective evidence of impairment as a result of the occurrence of trigger events at each balance sheet date. The trigger events include a significant or prolonged decline in the fair value of an equity investment.

When there is impairment, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised, is transferred from equity to the profit and loss account. Subsequent reversal of impairment loss is not recognised in the profit and loss account.

(c) *Impairment of non-financial assets*

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, 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 net selling price.

An impairment loss is recognised only if the carrying amount of any asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of an 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 an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Foreign currencies**(a) Functional and presentation currency**

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Hong Kong Dollars ("HKD"), which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the consolidated profit and loss account.

Operating leases

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 investment properties and rentals receivable under the operating leases are credited to the profit and loss account 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 profit and loss account on the straight-line basis over the lease terms.

Employee benefits**(a) Retirement benefit schemes**

The Group operates two defined contribution retirement benefit schemes for those employees who are eligible to participate. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions are made based on a percentage of the participating employees' relevant monthly income from the Group, and are charged to the profit and loss account as they become payable in accordance with the rules of the respective schemes. When an employee leaves the Occupational Retirement Scheme Ordinance Scheme prior to his/her interest in the Group's employer non-mandatory contributions vesting with the employee, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. When an employee leaves the Mandatory Provident Fund, the Group's mandatory contributions vest fully with the employee.

(b) *Share option scheme*

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity-settled transactions.

For share options granted under the Scheme, the fair value of the employee’s services rendered in exchange for the grant of the options is recognised as an expense and credited to an employee share-based compensation reserve under equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the grant date. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of the original estimates, if any, in the profit and loss account, and a corresponding adjustment to the employee share-based compensation reserve over the remaining vesting period.

Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse prior to their exercise date are deleted from the register of outstanding options and have no impact on the profit and loss account or balance sheet.

(c) *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 (the “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 Employment Ordinance.

A provision is recognised in respect of probable future long service payments based on the best estimate of the probable future outflow of resources which has been earned by the employees from their service to the Group at the balance sheet date.

(d) Employee leave entitlements

The cost of accumulating compensated absences is recognised as an expense and measured based on the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

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:

- (a) 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 asset;
- (b) commission, brokerage and fee income, when services are rendered;
- (c) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (d) rental income, on the straight-line basis over the lease terms; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

Dividends

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

Interim dividends are simultaneously proposed and declared because the Bye-laws grant the directors authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

4. SEGMENTAL INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segments are its primary reporting format and geographical segments are its secondary reporting format.

(a) By business segments

The Group's operating businesses are organised and managed separately, according to the nature of products and services provided, with each segment representing 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:

- the personal and commercial lending segment mainly comprises the granting of personal loans, overdrafts, property mortgage loans, hire purchase loans to individuals and small to medium-sized manufacturing companies, and the provision of finance to purchasers of licensed public vehicles such as taxis and public light buses.
- the taxi trading and related operations, and other businesses segment mainly comprises the taxi trading and the leasing of taxis, securities dealing and the letting of investment properties.

The Group's inter-segment transactions during the year were mainly related to dealers' commission from referrals of taxi financing loans, and these transactions were entered into on similar terms and conditions as those contracted with third parties at the dates of the transactions.

The following tables represent revenue and profit information for these segments for the years ended 31 December 2005 and 2004, and certain asset and liability information regarding business segments as at 31 December 2005 and 2004.

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

Group	Personal and commercial lending		Taxi trading and related operations, and other businesses		Eliminated on consolidation		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
								(Restated)
Segment revenue								
Net interest income	766,136	699,411	(89)	14	-	-	766,047	699,425
Other operating income:								
Fees and commission income	118,674	165,541	3,056	3,045	-	-	121,730	168,586
Others	-	-	12,450	13,188	-	-	12,450	13,188
Inter-segment transactions	-	-	737	7,879	(737)	(7,879)	-	-
	<u>884,810</u>	<u>864,952</u>	<u>16,154</u>	<u>24,126</u>	<u>(737)</u>	<u>(7,879)</u>	<u>900,227</u>	<u>881,199</u>
Unallocated revenue:								
Amortisation of negative goodwill							-	18,433
Gain on disposal of a subsidiary							-	46
							<u>900,227</u>	<u>899,678</u>
Segment results	<u>491,834</u>	<u>458,495</u>	<u>38,055</u>	<u>16,218</u>	<u>-</u>	<u>-</u>	<u>529,889</u>	<u>474,713</u>
Amortisation of negative goodwill and an intangible asset							-	18,407
Gain on disposal of a subsidiary							-	46
Profit before tax							529,889	493,166
Tax							(83,592)	(80,277)
Profit for the year							<u>446,297</u>	<u>412,889</u>
Segment assets	<u>4,201,485</u>	<u>4,193,521</u>	<u>258,957</u>	<u>134,964</u>	<u>-</u>	<u>-</u>	<u>4,460,442</u>	<u>4,328,485</u>
Unallocated assets:								
Intangible asset							126	126
Negative goodwill							-	(55,297)
Deferred tax assets							2,854	20,365
Total assets							<u>4,463,422</u>	<u>4,293,679</u>
Segment liabilities	<u>1,662,637</u>	<u>1,752,405</u>	<u>70,680</u>	<u>40,527</u>	<u>-</u>	<u>-</u>	<u>1,733,317</u>	<u>1,792,932</u>
Unallocated liabilities:								
Declared dividend							291,706	283,104
Deferred tax liabilities and tax payable							44,965	51,106
Total liabilities							<u>2,069,988</u>	<u>2,127,142</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

Group	Personal and commercial lending		Taxi trading and related operations, and other businesses		Eliminated on consolidation		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segmental information extracted from the consolidated profit and loss account and balance sheet								
Capital expenditure	1,793	1,730	-	-	-	-	1,793	1,730
Amortisation and write-off of commission expenses	133	3,721	-	-	-	-	133	3,721
Depreciation and amortisation of land lease prepayments	5,100	8,153	-	-	-	-	5,100	8,153
(Reversal of impairment loss)/impairment loss on land lease prepayments	(3,514)	18,306	-	-	-	-	(3,514)	18,306
Change in fair value of investment properties	-	-	(30,160)	(10,958)	-	-	(30,160)	(10,958)
Impairment loss and allowances/provisions for impaired financial assets	158,751	173,342	-	-	-	-	158,751	173,342
Loss on disposal of property, plant and equipment	30	2	-	-	-	-	30	2

(b) By geographical segments

Over 90% of the Group's operating income, results, assets, liabilities, off-balance sheet commitments and exposures are derived from operations carried out in Hong Kong. Accordingly, no geographical segment information is presented in the financial statements.

5. OTHER OPERATING INCOME

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees and commission income	121,730	168,586
Gross rental income	7,198	6,774
<i>Less:</i> Direct operating expenses	(265)	(363)
Net rental income	6,933	6,411
Loss on disposal of property, plant and equipment	(30)	(2)
Dividends from an available-for-sale security investment	773	2,037
Gain on disposal of a subsidiary	–	46
Others	4,774	4,742
	134,180	181,820

During 2005, certain fee income of HK\$39,709,000, which would have been classified under other operating income under the previous accounting policies, has now been included in the calculation of interest income under the effective interest method upon the prospective adoption of HKAS 39.

The direct operating expenses included repair and maintenance expenses arising on investment properties.

6. OPERATING EXPENSES

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs:		
Salaries and other staff costs	86,731	100,028
Pension contributions	6,393	6,368
<i>Less:</i> Forfeited contributions	(524)	(215)
Net pension contributions	5,869	6,153
	92,600	106,181
Employee share option benefits	45,765	–
	138,365	106,181
Other operating expenses:		
Operating lease rentals on leasehold buildings	20,221	19,628
Depreciation and amortisation of land lease prepayments	5,100	8,153
Amortisation of an intangible asset	–	26
Auditors' remuneration	1,473	1,411
Amortisation and write-off of commission expenses	133	3,721
Administrative and general expenses	15,528	20,855
Others	64,441	65,847
Operating expenses before (reversal of impairment loss)/ impairment loss on land lease prepayments and investment properties	245,261	225,822
(Reversal of impairment loss)/impairment loss on land lease prepayments	(3,514)	18,306
Change in fair value of investment properties	(30,160)	(10,958)
	(33,674)	7,348
	211,587	233,170

- (a) The Group operates two defined contribution retirement benefit schemes, namely the Occupational Retirement Scheme Ordinance Scheme and the Mandatory Provident Fund Scheme, for those employees who are eligible to participate. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions are made based on a percentage of the participating employees' relevant monthly income from the Group, and are charged to the profit and loss account as they become payable in accordance with the rules of the respective schemes.
- (b) As at 31 December 2005, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2004: Nil). The current year credits arose in respect of staff who left the scheme during the year.

7. LOANS AND ADVANCES AND RECEIVABLES

(a) Advances to customers and receivables

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loans and advances to customers	3,583,800	3,249,726
Interest receivable	45,232	45,129
	<hr/>	<hr/>
	3,629,032	3,294,855
Other receivables	73,902	79,168
	<hr/>	<hr/>
	3,702,934	3,374,023
Impairment allowances/provisions for advances to customers and receivables:		
Individual impairment allowances	(78,276)	–
Collective impairment allowances	(112,403)	–
Specific provision	–	(160,614)
General provision	–	(110,382)
	<hr/>	<hr/>
	(190,679)	(270,996)
	<hr/>	<hr/>
	3,512,255	3,103,027
	<hr/> <hr/>	<hr/> <hr/>

Certain loans and advances and receivables were secured by properties, taxi licences and taxi cabs.

The maturity profile of loans and advances to customers, interest receivable and other receivables at the balance sheet date is analysed by the remaining periods to their contractual maturity dates as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Repayable:		
On demand	19,999	21,929
Within three months or less	546,405	534,255
Within one year or less but over three months	1,196,343	1,120,700
Within five years or less but over one year	1,217,724	1,063,872
After five years	490,573	422,343
Undated	231,890	210,924
	<u>3,702,934</u>	<u>3,374,023</u>

(b) Gross amount of impaired loans and advances

	Group			
	2005		2004	
	Gross amount <i>HK\$'000</i>	Percentage of total loans and advances	Gross amount <i>HK\$'000</i>	Percentage of total loans and advances
Gross impaired loans and advances				
Overdue for:				
Six months or less but over three months	62,450	1.7	48,870	1.5
One year or less but over six months	29,385	0.8	25,156	0.8
Over one year and loss accounts	<u>116,786</u>	<u>3.3</u>	<u>113,527</u>	<u>3.5</u>
Total impaired loans and advances	208,621	<u>5.8</u>	187,553	<u>5.8</u>
Impairment allowances/ provisions for impaired loans and advances:				
Individual impairment allowances	(78,276)		–	
Collective impairment allowances	(105,834)		–	
Specific provision	–		(160,614)	
	<u>(184,110)</u>		<u>(160,614)</u>	
	<u>24,511</u>	<u>0.7</u>	<u>26,939</u>	<u>0.8</u>

Interest accrual of impaired loans and advances amounted to less than 0.5% of total gross loans and advances and is considered immaterial to the Group. Accordingly, the aforesaid interest accrual is not disclosed in the financial statements.

(c) Impairment allowances/provisions for impaired loans and advances and receivables

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Impairment allowances/provisions for loans and advances to customers	261,215	308,054
Impairment allowances/provisions for other receivables	9,781	9,781
	-----	-----
Balance at 1 January 2005 and 1 January 2004	270,996	317,835
Opening adjustment to retained profits upon adoption of HKAS 39 at 1 January 2005	(77,246)	-
Balance as restated at 1 January 2005 and 1 January 2004	193,750	317,835
Recoveries	59,648	46,609
Charge for the year	218,399	219,951
Amounts released	(59,648)	(46,609)
Net charge to the consolidated profit and loss account	158,751	173,342
Amounts written off	(221,470)	(266,790)
	-----	-----
	<u>190,679</u>	<u>270,996</u>

(d) Repossessed assets

The amount of repossessed assets was less than 1% (2004: less than 1%) of total gross loans and advances and receivables and was immaterial to the Group. Accordingly, the amount was not separately disclosed.

8. DIRECTORS' REMUNERATION

The remuneration of each director for the years ended 31 December 2005 and 2004 are set out below:

Group

Name of Director	2005				Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000 (Note 1)	Bonuses HK\$'000	Pension scheme contri- butions HK\$'000	
Tan Sri Dato' Sri Dr. Teh Hong Piow	205	486	–	–	691
Tan Yoke Kong (Note 2)	50	4,300	372	125	4,847
Lee Huat Oon	50	3,924	275	90	4,339
Dato' Sri Tay Ah Lek	100	2,775	–	–	2,875
Dato' Chang Kat Kiam	100	2,775	–	–	2,875
Wong Kong Ming	50	2,775	–	–	2,825
Dato' Yeoh Chin Kee	100	486	–	–	586
Geh Cheng Hooi, Paul	100	486	–	–	586
Lee Chin Guan	100	486	–	–	586
	<u>855</u>	<u>18,493</u>	<u>647</u>	<u>215</u>	<u>20,210</u>

Group

Name of Director	2004				Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000 (Note 1)	Bonuses HK\$'000	Pension scheme contri- butions HK\$'000	
Tan Sri Dato' Sri Dr. Teh Hong Piow	170	–	–	–	170
Tan Yoke Kong (Note 2)	45	1,004	338	119	1,506
Lee Huat Oon	45	732	249	73	1,099
Dato' Sri Tay Ah Lek	85	–	–	–	85
Dato' Chang Kat Kiam (Note 3)	64	–	–	–	64
Wong Kong Ming	45	–	–	–	45
Dato' Yeoh Chin Kee	85	–	–	–	85
Geh Cheng Hooi, Paul	85	–	–	–	85
Lee Chin Guan (Note 4)	21	–	–	–	21
	<u>645</u>	<u>1,736</u>	<u>587</u>	<u>192</u>	<u>3,160</u>

Notes:

- Salaries and other benefits included basic salaries, housing, other allowances, benefits in kind and employee share option benefits. The employee share option benefits represent fair value at the date the share options were granted and accepted under the Scheme amortised to the profit and loss account during the year disregarding whether the options have been exercised or not.
- The director occupies a property of the Group rent free. The estimated monetary value of the accommodation so provided to him and not charged to the profit and loss account is HK\$576,000 (2004: HK\$540,000).
- Appointed on 26 March 2004.
- Appointed on 23 September 2004.

9. FIVE HIGHEST PAID INDIVIDUALS

All the five highest paid individuals during the year were directors (2004: two), details of whose remuneration, including employee share option benefits for options issued under the Scheme, are set out in note 8 above.

Details of the remaining three highest paid individuals' remuneration in 2004 are as follows:

	Group 2004 HK\$'000
Basic salaries, housing, other allowances and benefits in kind	2,281
Bonuses paid and payable	324
Pension scheme contributions	144
	<hr/>
	2,749
	<hr/> <hr/>

The number of highest paid individuals in 2004 whose remuneration fell within the bands set out below is as follows:

	2004 Number of individuals
Nil – HK\$1,000,000	2
HK\$1,000,001 – HK\$1,500,000	1
	<hr/>
	3
	<hr/> <hr/>

10. TAX

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong:		
Current tax charge	80,851	71,386
Under provisions in prior years	–	1,750
Deferred tax charge (Note 26)	2,741	7,141
	<u>83,592</u>	<u>80,277</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	Group			
	2005			2004
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Hong Kong:				
Profit before tax	<u>529,889</u>		<u>493,166</u>	
Tax at the applicable tax rate	92,731	17.5	86,304	17.5
Estimated tax effect of net income that is not taxable	(8,883)	(1.7)	(5,857)	(1.2)
Estimated tax losses from previous periods utilised	(571)	(0.1)	(2,194)	(0.5)
Estimated tax losses not recognised	315	0.1	274	0.1
Under provisions in prior years	<u>–</u>	<u>–</u>	<u>1,750</u>	<u>0.4</u>
Tax charge at the Group's effective rate	<u>83,592</u>	<u>15.8</u>	<u>80,277</u>	<u>16.3</u>

11. PROFIT OF THE COMPANY FOR THE YEAR

The profit for the year ended 31 December 2005 dealt with in the financial statements of the Company was HK\$597,696,000 (2004: HK\$227,218,000).

12. DIVIDENDS

	2005	2004		
	HK\$ per	HK\$ per	2005	2004
	ordinary	ordinary	<i>HK\$'000</i>	<i>HK\$'000</i>
	share	share		
Interim:				
First	0.06	0.05	43,755	35,388
Second	0.40	0.40	291,706	283,104
Special	0.29	1.75	211,487	1,238,577
	<u>0.75</u>	<u>2.20</u>	<u>546,948</u>	<u>1,557,069</u>

13. EARNINGS PER SHARE**(a) Basic earnings per share**

The calculation of basic earnings per share is based on the profit for the year of HK\$446,297,000 (2004: HK\$412,889,000) and the weighted average number of 715,880,181 (2004: 707,758,412) ordinary shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options to determine the weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all share options outstanding during the year.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit for the year, used in the basic and diluted earnings per share calculation	<u>446,297</u>	<u>412,889</u>
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	715,880,181	707,758,412
Weighted average number of ordinary shares assumed issued at no consideration on deemed exercise of all share options outstanding during the year	<u>1,819,000</u>	<u>–</u>
Weighted average number of ordinary shares used in diluted earnings per share calculation	<u>717,699,181</u>	<u>707,758,412</u>
Diluted earnings per share (HK\$)	<u>0.622</u>	<u>N/A</u>

14. CASH AND SHORT TERM PLACEMENTS

	Group		Company	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and balances with banks and other financial institutions	80,756	111,189	377	964
Money at call and short notice	<u>372,253</u>	<u>679,735</u>	<u>369,591</u>	<u>271,364</u>
	<u>453,009</u>	<u>790,924</u>	<u>369,968</u>	<u>272,328</u>

Cash and balances with banks and other financial institutions earn interest at floating rates based on daily bank deposit rates. Money at call and short notice are made for various periods of between one day and three months depending on the immediate cash requirement of the Group and the Company, and earn interest at the respective short term time deposit rates.

15. PLACEMENTS WITH BANKS AND FINANCIAL INSTITUTIONS MATURING BETWEEN ONE AND THREE MONTHS

The Group's placements with banks, amounting to HK\$5,000,000 (2004: HK\$5,000,000), were pledged to a bank for credit facilities of HK\$5,000,000 (2004: HK\$5,000,000) granted to the Group. The credit facilities were not utilised during the year (2004: Nil).

16. AVAILABLE-FOR-SALE SECURITY INVESTMENT

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year	16,744	13,565
Change in fair value (<i>Note 30</i>)	9,137	3,179
	<hr/>	<hr/>
Listed security investment in Hong Kong, at market value	25,881	16,744
	<hr/> <hr/>	<hr/> <hr/>

The Group's available-for-sale security investment was non-current in nature and represented 805,000 ordinary shares of HK\$1.00 each in Hong Kong Exchanges and Clearing Limited.

17. INVESTMENT PROPERTIES

	Group <i>HK\$'000</i>	Company <i>HK\$'000</i>
At valuation:		
At 1 January 2004		
As previously reported	57,430	–
Effect on adoption of HKAS 40	37,515	32,654
	<hr/>	<hr/>
As restated	94,945	32,654
Transfer from owner-occupied property	352	–
	<hr/>	<hr/>
Carrying amount before change in fair value	95,297	32,654
Change in fair value	10,958	(242)
	<hr/>	<hr/>
At 31 December 2004 and 1 January 2005 (As restated)	106,255	32,412
At 31 December 2004 and 1 January 2005		
As previously reported	68,740	–
Effect on adoption of HKAS 40	37,515	32,412
As restated	106,255	32,412
Transfer from owner-occupied property	11,572	–
	<hr/>	<hr/>
Carrying amount before change in fair value	117,827	32,412
Change in fair value	30,160	12,588
	<hr/>	<hr/>
At 31 December 2005	<u>147,987</u>	<u>45,000</u>

The Group's investment properties are all situated in Hong Kong and are held under the following lease terms:

	Group 2005 <i>HK\$'000</i>	Company 2005 <i>HK\$'000</i>
At valuation:		
Medium term leases	44,790	–
Long term leases	103,197	45,000
	<u>147,987</u>	<u>45,000</u>

The carrying amounts of the investment properties transferred from owner-occupied properties approximate the fair value at the date of transfer.

Investment properties with a carrying amount of HK\$117,827,000 were revalued at HK\$147,987,000 based on the revaluation report issued by Chung Sen Surveyors Limited, a firm of independent professionally qualified valuers, on an open market value based on their existing use. Increase in fair value of HK\$30,160,000, resulting from the above valuation, has been credited to the profit and loss account.

The investment properties held by the Group are let under operating leases from which the Group earns rental income. Details of future annual rental receivables under operating leases are included in note 32 to the financial statements.

18. PROPERTY, PLANT AND EQUIPMENT

	Group				Company
	Leasehold buildings <i>HK\$'000</i>	Leasehold improve- ments, furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>	Leasehold buildings <i>HK\$'000</i>
	<i>(Note)</i>				
Cost:					
At 1 January 2004					
As previously reported	355,965	75,934	2,746	434,645	32,715
Reclassification	2,637	–	–	2,637	–
Reclassification to land lease prepayments upon adoption of HKAS 17	(293,441)	–	–	(293,441)	–
Reclassification to investment properties upon adoption of HKAS 40	(38,014)	–	–	(38,014)	(32,715)
As restated	27,147	75,934	2,746	105,827	–
Additions	–	1,730	–	1,730	–
Transfer to investment properties	(554)	–	–	(554)	–
Disposals/write-off	–	(1,417)	–	(1,417)	–
At 31 December 2004 and 1 January 2005 (As restated)					
	26,593	76,247	2,746	105,586	–
At 31 December 2004 and 1 January 2005					
As previously reported	355,411	76,247	2,746	434,404	32,715
Reclassification	2,637	–	–	2,637	–
Reclassification to land lease prepayments upon adoption of HKAS 17	(293,441)	–	–	(293,441)	–
Reclassification to investment properties upon adoption of HKAS 40	(38,014)	–	–	(38,014)	(32,715)
As restated	26,593	76,247	2,746	105,586	–
Additions	–	1,793	–	1,793	–
Transfer to investment properties	(2,416)	–	–	(2,416)	–
Disposals/write-off	–	(4,820)	–	(4,820)	–
At 31 December 2005					
	24,177	73,220	2,746	100,143	–

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

	Group				Company
	Leasehold buildings	Leasehold improve- ments, furniture, fixtures and equipment	Motor vehicles	Total	Leasehold buildings
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note)</i>				
Accumulated depreciation:					
At 1 January 2004					
As previously reported	37,489	71,572	2,452	111,513	61
Reclassification	2,637	–	–	2,637	–
Prior year adjustment to retained profits upon adoption of HKAS 17	(5,770)	–	–	(5,770)	–
Reclassification to land lease prepayments upon adoption of HKAS 17	(29,485)	–	–	(29,485)	–
Reclassification to investment properties upon adoption of HKAS 40	(499)	–	–	(499)	(61)
As restated	4,372	71,572	2,452	78,396	–
Provided during the year	5,303	2,556	294	8,153	–
Transfer to investment properties	(202)	–	–	(202)	–
Disposals/write-off	–	(1,415)	–	(1,415)	–
Reclassification to land lease prepayments upon adoption of HKAS 17	(2,466)	–	–	(2,466)	–
At 31 December 2004 and 1 January 2005 (As restated)	7,007	72,713	2,746	82,466	–

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

	Group				Company
	Leasehold buildings	Leasehold improve- ments, furniture, fixtures and equipment	Motor vehicles	Total	Leasehold buildings
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note)</i>				
At 31 December 2004 and 1 January 2005					
As previously reported	60,896	72,713	2,746	136,355	303
Reclassification	2,637	–	–	2,637	–
Prior year adjustment to retained profits upon adoption of HKAS 17	(5,770)	–	–	(5,770)	–
Reclassification to land lease prepayments upon adoption of HKAS 17	(50,257)	–	–	(50,257)	–
Reclassification to investment properties upon adoption of HKAS 40	(499)	–	–	(499)	(303)
As restated	7,007	72,713	2,746	82,466	–
Provided during the year	677	1,560	–	2,237	–
Transfer to investment properties	(1,111)	–	–	(1,111)	–
Disposals/write-off	–	(4,785)	–	(4,785)	–
At 31 December 2005	6,573	69,488	2,746	78,807	–
Net book value:					
At 31 December 2005	<u>17,604</u>	<u>3,732</u>	<u>–</u>	<u>21,336</u>	<u>–</u>
At 31 December 2004					
As previously reported	294,515	3,534	–	298,049	32,412
Net effect on adoption of HKASs 17 & 40	(274,929)	–	–	(274,929)	(32,412)
As restated	<u>19,586</u>	<u>3,534</u>	<u>–</u>	<u>23,120</u>	<u>–</u>

Note: The balances in respect of leasehold buildings as at 1 January 2004, 31 December 2004 and 1 January 2005 as previously reported included the land element of the leasehold properties, which is now disclosed as “land lease prepayments”.

19. LAND LEASE PREPAYMENTS

	Group <i>HK\$'000</i>
Cost:	
At 1 January 2004	
As previously reported	–
Reclassification upon adoption of HKAS 17	293,441
At 1 January 2004, 31 December 2004 and 1 January 2005 (As restated)	293,441
At 31 December 2004 and 1 January 2005	
As previously reported	–
Reclassification upon adoption of HKAS 17	293,441
As restated	293,441
Transfer to investment properties	(24,311)
At 31 December 2005	269,130
Accumulated amortisation and impairment:	
At 1 January 2004	
As previously reported	–
Impairment loss	18,306
Reclassification upon adoption of HKAS 17	31,951
At 31 December 2004 and 1 January 2005 (As restated)	50,257
At 31 December 2004 and 1 January 2005	
As previously reported	–
Reclassification upon adoption of HKAS 17	50,257
As restated	50,257
Provided during the year	2,863
Transfer to investment properties	(14,044)
Reversal of impairment loss	(3,514)
At 31 December 2005	35,562
Net book value:	
At 31 December 2005	233,568
At 31 December 2004	
As previously reported	–
Reclassification upon adoption of HKAS 17	243,184
As restated	243,184

The leasehold land lease prepayments of the Group are situated in Hong Kong and are held under the following lease terms:

	Group
	2005
	<i>HK\$'000</i>
Cost:	
Medium term leases	82,598
Long term leases	150,970
	<u>233,568</u>

The land leases are stated at recoverable amount subject to impairment test pursuant to HKAS 36 which is based on the higher of fair value less costs to sell and the value in use. Impairment loss of HK\$10,824,000 was previously charged to the profit and loss account. The impairment was reassessed during current year on a consistent basis and an impairment reversal of HK\$3,514,000 was credited to profit and loss accounts as a result of the significant increase in fair market value. The fair value less costs of the land lease was determined with reference to a qualified external valuer's valuation.

The current and non-current portion of the land lease prepayments were HK\$2,863,000 and HK\$230,705,000 (2004: HK\$2,895,000 and HK\$240,289,000) respectively.

20. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	769,444	1,353,811
Amounts due from subsidiaries	288,128	–
	<u>1,057,572</u>	<u>1,353,811</u>

The amounts due from subsidiaries were unsecured, non-interest bearing and had no fixed terms of repayment. The amounts were non-current in nature and their carrying amounts approximate their fair value.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

Particulars of the Company's subsidiaries are as follows:

Name	Nominal value of issued ordinary share capital HK\$	Percentage of equity attributable to the Company		Principal activities
		Direct	Indirect	
JCG Finance Company, Limited	258,800,000	100	–	Deposit-taking and finance
Public Financial Limited (formerly known as “Funds Fit Limited”)	10,100,000	–	100	Investment holding
JCG Securities Limited	10,000,000	–	100	Stock and share broking
JCG Nominees Limited	10,000	–	100	Nominee service
Winton (B.V.I.) Limited	61,773	100	–	Investment and property holding
Winton Holdings (Hong Kong) Limited (formerly known as “Eternal Success Company Limited”)	20	–	100	Property holding
Winton Financial Limited	4,000,010	–	100	Provision of financing for licensed public vehicles and provision of personal and short term loans
Winton Motors, Limited	78,000	–	100	Trading of taxi licences and taxi cabs, and leasing of taxis
Winsure Company, Limited	1,600,000	–	96.9	Dormant

Notes:

- (a) Except for Winton (B.V.I.) Limited, which was incorporated in the British Virgin Islands, all other subsidiaries were incorporated in Hong Kong. All subsidiaries are private companies and operate in Hong Kong.
- (b) Winton Holdings (Bermuda) Limited, Winton Financial (Factoring) Limited and Winton Trading Company Limited were dissolved in 2005.

21. OTHER ASSETS

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest receivable from authorised institutions	258	17	4,489	3
Other debtors, deposits and prepayments	34,160	10,565	156	156
	<u>34,418</u>	<u>10,582</u>	<u>4,645</u>	<u>159</u>

The Group's interest receivable from authorised institutions was current in nature at 31 December 2005 and 2004. The current and non-current portion of the Group's other debtors, deposits and prepayments were HK\$27,992,000 and HK\$6,168,000 (2004: HK\$3,916,000 and HK\$6,649,000) respectively.

The Company's interest receivable from authorised institutions was current in nature while the Company's other debtors, deposits and prepayments were non-current in nature at 31 December 2005 and 2004.

The carrying amounts of other debtors, deposits and prepayments approximate their fair values.

22. LOANS TO DIRECTORS AND OFFICERS

Loans granted by JCG Finance, a deposit taking company, to directors and officers of the Company and disclosed pursuant to Section 161B(10) of the Hong Kong Companies Ordinance are as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Aggregate amount of principal and interest outstanding at end of year	<u>1,135</u>	<u>1,227</u>
Maximum aggregate amount of principal and interest outstanding during the year	<u>1,227</u>	<u>2,109</u>

23. CUSTOMER DEPOSITS

The Group's maturity profile of customer deposits at the balance sheet date is analysed by the remaining periods to their contractual maturity dates as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Repayable:		
On demand	3,648	4,528
Within three months or less	1,051,642	836,191
Within one year or less but over three months	108,692	165,274
Within five years or less but over one year	1,268	14,227
	<u>1,165,250</u>	<u>1,020,220</u>
Connected deposits	476,728	700,161
	<u>1,641,978</u>	<u>1,720,381</u>

All the customer deposits were time deposits repayable at maturity dates. The connected deposits were repayable and subject to renewal by a fellow subsidiary within one year.

24. OTHER LIABILITIES

	Group		Company	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Creditors, accruals and interest payable	86,995	67,889	1,013	744
Amount due to the ultimate holding company	338	394	300	300
Provision for long service payments (<i>Note 25</i>)	4,006	4,268	–	–
	<u>91,339</u>	<u>72,551</u>	<u>1,313</u>	<u>1,044</u>

As the trade payables are immaterial to the Group, the maturity profile thereof has not been disclosed. The other liabilities, other than provision for long service payments, were current in nature.

The carrying amounts of creditors, accruals and interest payable approximate their fair values.

25. PROVISION FOR LONG SERVICE PAYMENTS

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of year	4,268	4,385
Movement during the year	(262)	(117)
	<hr/>	<hr/>
Balance at end of year	<u>4,006</u>	<u>4,268</u>

The Group provides for the probable future long service payments expected to be made to employees under the Employment Ordinance, as explained under the heading “Employment Ordinance long service payments” in note 3 to the financial statements.

26. DEFERRED TAX

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

Group

Deferred tax assets:

	Deferred tax charged		Opening adjustment:		Deferred tax (charged)/credited		
	At 1 January 2004	to the profit and loss account	At 31 December 2004	adoption of HKAS 39 & HKAS 12	At 1 January 2005	to the profit and loss account	At 31 December 2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Collective impairment allowances for loans and advances	31,725	(12,408)	19,317	(16,633)	2,684	(1,077)	1,607
Losses available for offset against future taxable profit	2,250	(1,202)	1,048	-	1,048	(571)	477
Unrealised profit in inventories	-	-	-	-	-	483	483
Accelerated allowances depreciation	-	-	-	-	-	287	287
	<u>33,975</u>	<u>(13,610)</u>	<u>20,365</u>	<u>(16,633)</u>	<u>3,732</u>	<u>(878)</u>	<u>2,854</u>

Deferred tax liabilities:

	Deferred tax		Prior year		Deferred tax		
	credited		adjustment:	At 31	charged/		
	to the	At	adoption of	December	to the	At	
	profit and	31 December	HKAS 17 &	2004 and	profit and	31 December	
	loss account	2004	HKAS 40	2005	loss account	2005	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(As		(Restated)			
		previously					
		report)					
Interest receivable that will be taxable only when received	6,400	(4,366)	2,034	-	2,034	(2,034)	-
Accelerated tax depreciation and revaluation of investment properties	7,000	-	7,000	2,513	9,513	3,897	13,410
Prepaid expense deducted from taxable profits in earlier years and others	333	(333)	-	-	-	-	-
Tax benefit arising from investment in partnership	1,770	(1,770)	-	-	-	-	-
	<u>15,503</u>	<u>(6,469)</u>	<u>9,034</u>	<u>2,513</u>	<u>11,547</u>	<u>1,863</u>	<u>13,410</u>

The Group has tax losses arising in Hong Kong of HK\$11,374,000 (2004: HK\$10,633,000) 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 incurred losses for some time.

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

27. SHARE CAPITAL

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Ordinary shares		
Authorised:		
1,000,000,000 (2004:1,000,000,000) ordinary shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
	Number of	Share
	ordinary share of	capital
Issued and fully paid:	HK\$0.10 each	<i>HK\$'000</i>
At 1 January 2004 and 31 December 2004	707,758,412	70,776
Shares issued on exercise of share options (<i>Note</i>)	<u>21,506,000</u>	<u>2,150</u>
At 31 December 2005	<u>729,264,412</u>	<u>72,926</u>

Note: The increase in share capital represented the shares issued on exercise of share options pursuant to the Scheme detailed in note 28 to the financial statements.

28. SHARE OPTION SCHEME

Under the share option scheme (the "Scheme") approved on 28 February 2002, the board of directors granted share options to subscribe for a total of 66,526,000 shares in the Company to eligible participants, including directors and employees of the Company and its subsidiaries, pursuant to a board resolution passed on 18 May 2005. Each share option gives the holder the right to subscribe for one ordinary share. 65,976,000 share options were accepted by the directors and employees of the Company. The Group is not legally bound or obliged to repurchase or settle the options in cash.

Particulars in relation to the Scheme of the Company that are required to be disclosed under Rules 17.07 to 17.09 of Chapter 17 of the Listing Rules and HKAS 19 “Employee benefits” are as follows:

(a) Summary of the Scheme

Purpose	:	To attract, retain and motivate talented eligible participants.
Participants	:	Eligible participants include: <ul style="list-style-type: none">(i) any employee and director of the Company or any subsidiary or any associate or controlling shareholder;(ii) any discretionary trust whose discretionary objects include person(s) belonging to the aforesaid participants;(iii) a company beneficially owned by person(s) belonging to the aforesaid participants; and(iv) any business partner, agent, consultant, representative, customer or supplier of any member of the Group or controlling shareholder determined by the board of directors as having contributed or may contribute to the development and growth of the Group.
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of this annual report	:	49,269,841 ordinary shares which represent 6.8% of the issued share capital.

Maximum entitlement of each participant	:	Shall not exceed 1% of the ordinary shares of the Company in issue in the 12-month period up to and including the date of grant.
Period within which the ordinary shares must be taken up under an option	:	Exercisable within open exercise periods determined by the board of directors within 10 years from the commencement date on which the option is granted and accepted.
Amount payable on acceptance	:	HK\$1.00
Basis of determining the exercise price	:	Determined by the directors at their discretion based on the higher of: <ul style="list-style-type: none">(i) the closing price of the ordinary shares on the Stock Exchange at the offer date;(ii) the average closing price of the ordinary shares on the Stock Exchange for 5 business days immediately preceding the offer date; and(iii) the nominal value of an ordinary share.
Vesting condition	:	Nil, subject to open exercise periods to be determined by the board of directors or the Share Option Committee. The first open exercise period was from 28 July 2005 to 10 September 2005.
The remaining life of the Scheme	:	The Scheme remains in force until 27 February 2012.

(b) Movement of share options

Name	Number of share options					Weighted average closing price of the shares immediately before dates of exercise	
	Outstanding at the beginning of the year	Granted and accepted during the year	Forfeited during the year	Exercised during the year	Outstanding at the end of the year	Weighted average exercise price	Weighted average closing price of the shares immediately before dates of exercise
						HK\$	HK\$
Directors							
Tan Sri Dato' Sri							
Dr. Teh Hong Piow	-	700,000	-	700,000	-	7.29	8.40
Tan Yoke Kong	-	4,558,000	-	2,630,000	1,928,000	7.29	8.61
Lee Huat Oon	-	4,450,000	-	1,280,000	3,170,000	7.29	8.68
Dato' Sri Tay Ah Lek	-	4,000,000	-	2,320,000	1,680,000	7.29	8.35
Dato' Chang Kat Kiam	-	4,000,000	-	2,320,000	1,680,000	7.29	8.49
Wong Kong Ming	-	4,000,000	-	-	4,000,000	7.29	-
Dato' Yeoh Chin Kee	-	700,000	-	-	700,000	7.29	-
Geh Cheng Hooi, Paul	-	700,000	-	-	700,000	7.29	-
Lee Chin Guan	-	700,000	-	350,000	350,000	7.29	8.85
Employees working under "continuous contracts" for the purposes of the Employment Ordinance other than the directors as disclosed above							
	-	42,168,000	592,000	11,906,000	29,670,000	7.29	8.27
	-	65,976,000	592,000	21,506,000	43,878,000	7.29	8.38

Notes:

- (i) The share options are only exercisable at the exercise price of HK\$7.29 per share during certain periods as notified by the board or the Share Option Committee to each grantee which it may in its absolute discretion determine from 10 June 2005 to 9 June 2015.
- (ii) The share options were opened for exercise from 28 July 2005 to 10 September 2005 during the year.

- (iii) The closing price of the shares immediately before the date on which the options were granted was HK\$7.25 per share.
- (iv) The fair value of share options together with parameters used in share option model are disclosed in note 29(a) to the financial statements.
- (v) The remaining contractual life of the 43,878,000 outstanding options was 9.44 years as at 31 December 2005.
- (vi) The share option outstanding at end of 2005 can only be exercised in the future open exercise periods.

29. EMPLOYEE SHARE-BASED COMPENSATION RESERVE

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year	–	–
Employee share option benefits	45,765	–
	<u>45,765</u>	<u>–</u>
At end of year	<u><u>45,765</u></u>	<u><u>–</u></u>

- (a) The fair value of equity-settled share options granted during the year was estimated as at the date the share options were granted and accepted using the Black Scholes and Merton pricing model, taking into account the terms and conditions upon which the share options were granted. The following lists the input to the model used for the year ended 31 December 2005:

Period of acceptance by directors and employees	:	18 May 2005 to 10 June 2005
Vesting period	:	from the date of grant until the commencement of the open exercise period
Number of share options granted	:	66,526,000
Number of share options granted but not accepted	:	550,000
Total option value	:	HK\$45,765,000

Variables

Range of fair values of share during the period of acceptance	:	HK\$7.25 to HK\$8.00
Weighted average of fair value of share during the period of acceptance	:	HK\$7.49
Risk free interest rate	:	3.52% per annum
Maximum volatility (<i>Note (i)</i>)	:	40.00%
Expected ordinary dividend yield	:	9.80%
Expiration of the option	:	9 June 2015
Weighted average expected life of the option	:	1.41 years

Notes:

- (i) The volatility measured at the standard deviation of expected share price returns is based on a statistical analysis of daily share prices over one year immediately preceding the grant date.
 - (ii) The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares in the Company set out above.
 - (iii) The Black Scholes and Merton pricing model was developed to estimate the fair value of the share options which can be exercised only within open exercise periods determined by the board of directors. The value of an option varies with different variables of certain subjective or simplified assumptions. Any changes in variables and assumptions so adopted may materially affect the fair value of an option.
 - (iv) Early exercise of share options is assumed to occur in the future exercise periods which will be open at about two times every year. Generally, the interval of each exercise period is assumed to be opened for a period of 3 to 6 weeks. Over 90% of share options is assumed to be exercised from July 2005 to February 2007.
- (b) Had all the outstanding employee share options been fully exercised on 30 December 2005, the last trading date of 2005, the Group would have received proceeds of HK\$319,870,620 and would result in the issue of 43,878,000 additional ordinary shares of the Company and additional share capital of HK\$4,387,800 and share premium of HK\$315,482,820 (before issue expense). The market value of the shares issued based on the closing price of HK\$8.15 per share on that date would have been HK\$357,605,700. The directors and employees concerned under the Scheme would have made a gain of HK\$0.86 per share or, in aggregate, HK\$37,735,080, before expenses.

30. RESERVES

Group	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Regulatory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2004										
As previously reported	1,209,593	829	96,116	85,569	428	13,302	-	-	1,827,668	3,233,505
Prior year adjustments upon adoption of HKAS 17:										
Property, plant and equipment	-	-	-	-	-	-	-	-	5,770	5,770
Deferred tax liabilities	-	-	-	-	-	-	-	-	(2,513)	(2,513)
As restated	1,209,593	829	96,116	85,569	428	13,302	-	-	1,830,925	3,236,762
Change in fair value (Note 16)	-	-	-	-	-	3,179	-	-	-	3,179
Dividends for 2004 (Note 12)	-	-	-	-	-	-	-	-	(1,557,069)	(1,557,069)
Profit for the year	-	-	-	-	-	-	-	-	412,889	412,889
At 31 December 2004 (As restated)	1,209,593	829	96,116	85,569	428	16,481	-	-	686,745	2,095,761
At 31 December 2004										
As previously reported	1,209,593	829	96,116	85,569	428	16,481	-	-	683,488	2,092,504
Prior year adjustments upon adoption of HKAS 17:										
Property, plant and equipment	-	-	-	-	-	-	-	-	5,770	5,770
Deferred tax liabilities	-	-	-	-	-	-	-	-	(2,513)	(2,513)
At 31 December 2004 (As restated)	1,209,593	829	96,116	85,569	428	16,481	-	-	686,745	2,095,761
Opening adjustments upon adoption of HKAS 39:										
Loans and advances and receivables	-	-	-	-	-	-	-	-	77,246	77,246
Deferred tax asset	-	-	-	-	-	-	-	-	(16,633)	(16,633)
Opening adjustments upon adoption of HKFRS 3	-	-	-	(85,569)	(428)	-	-	-	141,294	55,297
Transfer from retained profits	-	-	-	-	-	-	-	75,686	(75,686)	-
At 1 January 2005 (As restated)	1,209,593	829	96,116	-	-	16,481	-	75,686	812,966	2,211,671
Change in fair value (Note 16)	-	-	-	-	-	9,137	-	-	-	9,137
Employee share option benefits	-	-	-	-	-	-	45,765	-	-	45,765
Premium, net of expense, arising on share options exercised	154,586	-	-	-	-	-	-	-	-	154,586
Transfer from retained profits	-	-	-	-	-	-	-	9,714	(9,714)	-
Dividends for 2005 (Note 12)	-	-	-	-	-	-	-	-	(546,948)	(546,948)
Profit for the year	-	-	-	-	-	-	-	-	446,297	446,297
At 31 December 2005	1,364,179	829	96,116	-	-	25,618	45,765	85,400	702,601	2,320,508
Reserves retained by:										
Company and subsidiaries										
At 31 December 2005	1,364,179	829	96,116	-	-	25,618	45,765	85,400	702,601	2,320,508
Company and subsidiaries										
At 31 December 2004										
As previously reported	1,209,593	829	96,116	85,569	428	16,481	-	-	683,488	2,092,504
Prior year adjustments upon adoption of HKAS 17:										
Property, plant and equipment	-	-	-	-	-	-	-	-	5,770	5,770
Deferred tax liabilities	-	-	-	-	-	-	-	-	(2,513)	(2,513)
As restated	1,209,593	829	96,116	85,569	428	16,481	-	-	686,745	2,095,761

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

Company	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Regulatory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2004	1,209,593	829	194,176	-	-	-	-	-	1,229,039	2,633,637
Dividends for 2004 (Note 12)	-	-	-	-	-	-	-	-	(1,557,069)	(1,557,069)
Profit for the year	-	-	-	-	-	-	-	-	227,218	227,218
At 31 December 2004 and 1 January 2005	1,209,593	829	194,176	-	-	-	-	-	(100,812)	1,303,786
Employee share option benefits	-	-	-	-	-	-	45,765	-	-	45,765
Premium, net of expense, arising on share options exercised	154,586	-	-	-	-	-	-	-	-	154,586
Dividends for 2005 (Note 12)	-	-	-	-	-	-	-	-	(546,948)	(546,948)
Profit for the year	-	-	-	-	-	-	-	-	597,696	597,696
At 31 December 2005	<u>1,364,179</u>	<u>829</u>	<u>194,176</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,765</u>	<u>-</u>	<u>(50,064)</u>	<u>1,554,885</u>

Note: The prior year adjustments and opening adjustments as a result of the adoption of certain new HKFRSs and HKASs are detailed in note 2 to the financial statements.

The contributed surplus of the Group represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation in September 1991 over the nominal value of the Company's shares issued in exchange therefor.

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation in September 1991 over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, a company may make distributions to its shareholders out of the contributed surplus under certain circumstances.

Deducted from the contributed surplus of the Group as at 31 December 2005 was positive goodwill of HK\$98,406,000 (2004: HK\$98,406,000), which arose from the acquisition of certain subsidiaries in prior years.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before tax to the net cash flows from operating activities is set out below:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	529,889	493,166
Employee share option benefits	45,765	–
Depreciation and amortisation of land lease prepayments	5,100	8,153
Loss on disposal of property, plant and equipment	30	2
Gain on disposal of a subsidiary	–	(46)
Decrease in impairment loss and allowances/ provisions for advances to customers and receivables	(3,071)	(46,839)
Dividends from an available-for-sale security investment	(773)	(2,037)
Amortisation of negative goodwill and an intangible asset	–	(18,407)
Amortisation and write-off of commission expenses	133	3,721
(Reversal of impairment loss)/impairment loss on land lease prepayments	(3,514)	18,306
Increase in fair value of investment properties	(30,160)	(10,958)
(Increase)/decrease in other debtors, deposits, prepayments and interest receivable from banks	(23,969)	60,248
Increase/(decrease) in creditors, accruals and interest payable	19,106	(9,798)
Decrease in provision for long service payments	(262)	(117)
(Decrease)/increase in an amount due to the ultimate holding company	(56)	56
Decrease in inventories	2,661	2,167
Hong Kong profits tax paid	(88,855)	(24,044)
	<u>452,024</u>	<u>473,573</u>
(Decrease)/increase in customer deposits	(78,403)	411,037
Increase in loans and advances and receivables	(328,911)	(103,644)
	<u>(328,911)</u>	<u>(103,644)</u>
Net cash flows from operating activities	<u>44,710</u>	<u>780,966</u>

32. OPERATING LEASE ARRANGEMENTS

- (a) The Group leases its land and buildings under operating lease arrangements, and the terms of the leases range from one to five years.

As at 31 December 2005, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	7,312	6,341
In the second to fifth years, inclusive	3,418	5,516
	<u>10,730</u>	<u>11,857</u>

- (b) The Group entered into non-cancellable operating lease arrangements with landlords, and the terms of the leases range from one to five years.

As at 31 December 2005, the Group had total future minimum lease rental payables under non-cancellable operating leases falling due as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	16,172	15,134
In the second to fifth years, inclusive	11,461	4,776
	<u>27,633</u>	<u>19,910</u>

33. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Commitments

	Group			
	2005	Risk	2004	Risk
	Contractual	weighted	Contractual	weighted
	amount	amount	amount	amount
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital commitments contracted for, but not provided in the financial statements	1,603	1,603	330	330
Undrawn loan facilities with an original maturity of under one year or which are unconditionally cancellable	773	–	1,483	–
	<u>2,376</u>	<u>1,603</u>	<u>1,813</u>	<u>330</u>

The Company had no material outstanding commitments at the balance sheet date (2004: Nil).

(b) Contingent liabilities

As at 31 December 2005 and 2004, the Company and the Group had no material contingent liabilities.

During the years ended 31 December 2005 and 2004, the Company and the Group had no derivative activities.

34. ASSETS PLEDGED AS SECURITY

At 31 December 2005, certain of the Group's banking facilities were secured by a placement with a bank amounting to HK\$5,000,000 (2004: HK\$5,000,000) (note 15). Such banking facilities had not been utilised during the year.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets and liabilities are mainly composed of:

Types	Underlying principal risks
Financial assets:	
Loans and advances and receivables; placements with banks	Credit risk, liquidity risk, interest rate risk
Available-for-sale security investment	Market risk (<i>note b</i>)
Financial liabilities:	
Customer deposits	Liquidity risk and interest rate risk

Notes:

- (a) There are no hedges of financial instruments to mitigate risks and therefore hedge accounting is not adopted during the year 2005.
- (b) The market risk of available-for-sale security investment is considered by the board as immaterial to the Group.

Credit risk

(i) Definition and sources

Credit risk is the risk associated with a customer or counterparty being unable to meet a commitment when it falls due. It arises mainly from the lending activities undertaken by the Group.

(ii) Risk management policies

The lending policies of business units of the Group are to mitigate credit risks, and the Policy on Large Exposures of the Group is to monitor and control large exposures with risk tolerable limits.

Credit Committee is responsible for assisting the board of directors (the “Board”) in formulating lending policies for JCG Finance’s lending business and recommending applications to the Board for loan facilities exceeding the discretionary power limits of the Credit Committee.

Branches of JCG Finance follow the set lending policy guidelines and procedures to approve loans within discretionary power limits of loan approval officers. Loans exceeding the discretionary power limits of the loan approval officers will be recommended to the Credit Committee for approval.

The Assets and Liabilities Committee (“ALCO”) is responsible for monitoring risk concentrations and large exposures attributed to various loan portfolios, loan segments and bank exposures of JCG Finance against concentration risk limits set in the Policy on Large Exposures.

(iii) Maximum credit risk exposures

The maximum credit risk exposures of loans and advances and other receivables net of impairment allowances, without taking account of the fair value of any collateral, were represented by the amount of HK\$3,512.0 million as at 31 December 2005 shown in note 7 to the financial statements.

The maximum credit risk exposures of placements with banks amounted to HK\$377.0 million as at 31 December 2005.

(iv) Significant concentrations of credit risk

The significant concentrations are detailed in “Advances to Customers by Industry Sectors” of Supplementary Information.

Interest rate risk

(i) Definition and sources

Interest rate risk is the risk of decrease in net interest income associated with interest rate movements. One of the most significant source is the repricing risk caused by timing differences in interest rate changes and cash flows that occur in the repricing and maturity of fixed and floating rate assets, liabilities and off-balance sheet financial instruments. The relevant financial assets are loans and advances, and the relevant financial liabilities are customer deposits.

(ii) Risk management policy

Interest Rate Risk Management policy of the Group is in place to monitor and mitigate interest rate risk within tolerable risk limits. Every month, the ALCO of JCG Finance submits interest rate risk management reports to the Board for review. The Financial Controller is responsible to inform the ALCO if any of the interest rate risk ratios are over the set risk limits. The ALCO then report to the Board accordingly.

(iii) The carrying amounts of financial instruments exposed to interest rate risk based on maturity or repricing as at 31 December 2005 and 2004 are detailed as follows:

Group	2005					Non-interest bearing	Total
	One year or less	More than 1 year but not more than 2 years	More than 2 years but not more than 3 years	More than 3 years but not more than 4 years	Over 5 years		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets							
Fixed rate financial assets							
– Cash and short-term placements	372,253	–	–	–	–	80,756	453,009
– Placements with banks maturing after one month	5,000	–	–	–	–	–	5,000
– Loans and advances and receivables (before impairment allowances)	1,721,291	759,399	278,034	51,942	69,101	148,664	3,028,431
– Available-for-sale security investment	–	–	–	–	–	25,881	25,881
	<u>2,098,544</u>	<u>759,399</u>	<u>278,034</u>	<u>51,942</u>	<u>69,101</u>	<u>255,301</u>	<u>3,512,321</u>
Floating rate financial assets							
– Loans and advances and receivables (before impairment allowances)	594,502	–	–	–	–	80,001	674,503
	<u>594,502</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>80,001</u>	<u>674,503</u>
Less:							
Liabilities							
Fixed rate financial liabilities							
– Customer deposits	1,640,710	1,268	–	–	–	–	1,641,978
	<u>1,640,710</u>	<u>1,268</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,641,978</u>
Total interest sensitivity gap	<u><u>1,052,336</u></u>	<u><u>758,131</u></u>	<u><u>278,034</u></u>	<u><u>51,942</u></u>	<u><u>69,101</u></u>	<u><u>335,302</u></u>	<u><u>2,544,846</u></u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

Group	2004					Non-interest bearing	Total
	One year or less	More than 1 year but not more than 2 years	More than 2 years but not more than 3 years	More than 3 years but not more than 4 years	Over 5 years		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets							
Fixed rate financial assets							
– Cash and short-term placements	679,735	–	–	–	–	111,189	790,924
– Placements with banks maturing after one month	5,000	–	–	–	–	–	5,000
– Loans and advances and receivables (before provisions)	1,634,061	675,205	220,592	37,925	105,017	123,901	2,796,701
– Available-for-sale security investment	–	–	–	–	–	16,744	16,744
	<u>2,318,796</u>	<u>675,205</u>	<u>220,592</u>	<u>37,925</u>	<u>105,017</u>	<u>251,834</u>	<u>3,609,369</u>
Floating rate financial assets							
– Loans and advances and receivables (before provisions)	493,268	–	–	–	–	84,054	577,322
	<u>493,268</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>84,054</u>	<u>577,322</u>
Less:							
Liabilities							
Fixed rate financial liabilities							
– Customer deposits	1,706,154	14,227	–	–	–	–	1,720,381
	<u>1,706,154</u>	<u>14,227</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,720,381</u>
Total interest sensitivity gap	<u><u>1,105,910</u></u>	<u><u>660,978</u></u>	<u><u>220,592</u></u>	<u><u>37,925</u></u>	<u><u>105,017</u></u>	<u><u>335,888</u></u>	<u><u>2,466,310</u></u>

- (iv) The table below summarises the effective average interest rates at 31 December for monetary financial instruments:

	2005	2004
	HK dollar	HK dollar
	Rate	Rate
	%	%
Assets		
Cash and short-term placements	3.95	0.20
Placements with banks maturing after one month	3.10	0.23
Loans and advances and receivables (before impairment allowances/provisions)	23.14	23.58
Available-for-sale security investment	–	–
Liabilities		
Customer deposits	4.00	1.21

There were no financial assets and liabilities denoted in currency other than Hong Kong dollar as at 31 December 2005 and 2004.

Liquidity risk

(i) Definition and sources

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The principal sources of cash inflow are repayments from loan and advances and receivables and increase in customer deposits. The principal sources of cash outflow are loans growth and customer deposit withdrawals.

(ii) Risk management policy

Liquidity Management Policy of the Group is in place to monitor liquidity ratios against risk limits, monitor depositor concentration, and to maintain contingency plan for funding. Every month, ALCO submits liquidity management reports to the Board for review. The Financial Controller is responsible to inform the ALCO if any of liquidity risk ratios are over the set risk limits. The ALCO then report to the Board accordingly.

36. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year, which were carried out on essentially the same terms and/or at prevailing market rates with other customers or suppliers.

		Group	
		2005	2004
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Related party transactions included in the profit and loss account:			
Commission income from the ultimate holding company for referrals of taxi financing loans	<i>(a)</i>	196	5,397
Interest income from the ultimate holding company	<i>(b)</i>	198	4,590
Rental income from the ultimate holding company	<i>(c)</i>	2,424	2,443
Management fees from the ultimate holding company	<i>(d)</i>	863	943
Interest paid and payable to a fellow subsidiary	<i>(e)</i>	10,995	2,005
Key management personnel compensation:	<i>(f)</i>		
– short-term employee benefits		3,480	2,968
– share-based payment		16,515	–
– post employment benefits		215	192
		20,210	3,160
Interest income received from key management personnel	<i>(g)</i>	29	9
Interest expense paid to key management personnel	<i>(h)</i>	3	–
Commission fee income from key management personnel	<i>(i)</i>	28	7
Post employment benefits for employees other than key management personnel	<i>(j)</i>	5,654	5,961
Related party transactions included in the assets and liabilities:			
Cash and short term placements with the ultimate holding company	<i>(b)</i>	21,207	22,171
Deposits from a fellow subsidiary	<i>(e)</i>	476,728	700,161
Interest payable to a fellow subsidiary	<i>(e)</i>	1,721	1,344
Rental deposits from the ultimate holding company	<i>(c)</i>	338	338
Loans to key management personnel	<i>(g)</i>	1,135	1,227
Customer deposits from key management personnel	<i>(h)</i>	300	–

Notes:

- (a) The commission income received from referrals of floating rate taxi financing loans to Public Bank was determined based on market practice.
- (b) The Group placed deposits with Public Bank at prevailing market rates. Interest income was received/receivable by the Group for the year from Public Bank in respect of the placements. The balance was included in cash and short term placements in the balance sheet.
- (c) The rental income and deposits were derived from properties rented to:
 - (i) Public Bank as its staff quarters for a term of two years commencing on 1 August 2004 at a monthly rent of HK\$19,000;
 - (ii) Public Bank as its office. The related lease arrangement was renewed on 1 August 2004 for a term of two years at a monthly rental of HK\$33,000; and
 - (iii) Public Bank, Hong Kong Branch as its branch office for a term of three years commencing on 1 November 2003 at a monthly rental of HK\$150,000.
- (d) The management fees arose from administrative services provided by the Group to the ultimate holding company. They were charged based on the cost incurred by the Group during the year.
- (e) During the year, fixed deposits were accepted from PB Trust (L) Ltd. ("PB Trust"), a fellow subsidiary of the Company, in the ordinary course of business and on normal commercial terms by JCG Finance. Interest was paid/payable to PB Trust for the year by JCG Finance in respect of the placements. The balances of the said fixed deposits and interest payable were included in customer deposits and other liabilities, respectively, in the balance sheet.
- (f) Further details of post-employment benefits and directors' emoluments are included in notes 6 and 8 to the financial statements respectively.
- (g) A mortgage loan was granted to one of the directors by JCG Finance. Interest income was received from the director.
- (h) During the year, a fixed deposit was accepted from one of the directors by JCG Finance. Interest was paid to the director.
- (i) The commission income was received from the key management personnel for securities dealing.
- (j) The Group's post-employment benefit plan for the benefit of employees was detailed in note 6 to the financial statements.

In addition, certain banking facilities of the Group are supported by letters of comfort issued by the ultimate holding company.

37. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE IN 2005

- (a) Amendments to HKAS 1 “Presentation of Financial Statements: Capital Disclosures” (effective for accounting period beginning on or after 1 January 2007)
- (b) HKFRS 7 “Financial Instruments: Disclosures” (effective for accounting period beginning on or after 1 January 2007)

Should the Amendments to HKAS 1 and HKFRS 7 be effective, details of capital components and ratios, capital management and other related risk management policy and objectives, underlying risks of financial instruments and other relevant disclosures will be disclosed in the financial statements, if required. However, the above-mentioned accounting and financial reporting standards are expected not to have significant effects on amounts recognised in the financial statements and on the carrying amounts of assets and liabilities as at the balance sheet date.

38. ACCOUNTING JUDGEMENT AND ESTIMATES

There is no significant risk of key assumptions concerning the future and other key sources of estimation at the balance sheet date which will cause an adjustment to carrying amounts of assets and liabilities within the next financial year.

There are no significant effects on amounts recognised in the financial statements arising from the judgement or estimates used by management except for the share option benefit expense which is subject to the limitations of the Black Scholes and Merton pricing model and the uncertainty in estimates used by management in the assumptions. The Black Scholes and Merton pricing model is modified for the early exercise of share options in limited open exercise periods. Should the estimates including limited early exercise behavior, expected interval and frequency of open exercise periods in the share option life and other relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the profit and loss account and employee share-based compensation reserve.

39. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of new HKASs and HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year and opening balance adjustments have been made and certain comparative amounts have been reclassified/restated to conform with the current year's presentation and accounting treatment.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 11 January 2006.

(C) MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2005, being the date to which the latest audited financial statements of the Group were made up.

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.



18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

28 April 2006

The Directors
Public Financial Holdings Limited

Dear Sirs,

We set out below our report on the financial information relating to Asia Commercial Bank Limited (“ACB”) and its subsidiaries (hereinafter collectively referred to as “ACB Group”) for each of the three years ended 31 December 2005 (the “Relevant Period”) for inclusion in the circular of Public Financial Holdings Limited (the “Company”) (formerly known as JCG Holdings Limited) dated 28 April 2006 (the “Circular”) in relation to the proposed acquisition of the entire issued share capital of ACB Group at a cash consideration of approximately HK\$4,499,550,000 (the “Acquisition”).

ACB was incorporated as a limited company under the Hong Kong Companies Ordinance (the “Companies Ordinance”) on 31 December 1934. During the Relevant Period, ACB was principally engaged in the provision of a comprehensive range of banking, financial and related services.

The financial information of ACB Group for the Relevant Period, 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”) and accounting principles generally accepted in Hong Kong. We have audited the financial statements of ACB Group for the Relevant Period in accordance with Hong Kong Statements of Auditing Standards (“HKSAS”) issued by the HKICPA.

For the purpose of this report, we have examined the audited financial statements of ACB Group for the Relevant Period in accordance with HKSAS, and have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline “Prospectuses and the Reporting Accountants” issued by the HKICPA.

The consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements of ACB Group for the Relevant Period, the consolidated balance sheets of ACB Group as at 31 December 2003, 2004 and 2005 and balance sheets of ACB as at 31 December 2003, 2004 and 2005, together with the notes thereto (collectively the “Financial Information”) as set out in this report have been prepared, and are presented on the basis as set out in Section 1 below.

The preparation of the Financial Information is the responsibility of the directors of the Company who approve their issuance. The directors of the Company are responsible for the content of the Circular relating to ACB Group in which this report is included. It is our responsibility to form an independent opinion on such information and to report our opinion to you. In forming our opinion, we also evaluated the overall adequacy of the presentation of the Financial Information. We believe that our work provides a reasonable basis for our opinion.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of ACB and ACB Group as at 31 December 2003, 2004 and 2005, respectively, and of the consolidated results and cash flows of ACB Group for the Relevant Period.

1. BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings, derivative financial instruments, securities measured at fair value through profit or loss and available-for-sale securities, which have been measured at fair value. The Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

The HKICPA has issued a number of new and revised HKFRSs which are effective for the accounting periods beginning on or after 1 January 2005. The Financial Information has early adopted these new and revised HKFRSs. The HKICPA has also issued several standards and interpretations that are not yet effective as at the date of this report. The directors of the Company anticipate that the adoption of these new standards and interpretations will have no material impact to the results of operations and financial position of ACB Group.

Basis of consolidation

The Financial Information includes the financial statements of ACB and its subsidiaries for the Relevant Period. 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 ACB Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within ACB Group are eliminated on consolidation.

As at the date of this report, ACB had direct interests in the following principal subsidiaries, all of which are incorporated in Hong Kong, the particulars of which are set out below:

Name	Nominal value of issued ordinary share capital <i>HK\$'000</i>	Percentage of equity directly attributable to ACB	Nature of business
Asia Commercial Bank (Nominees) Limited	100	100	Provision of nominee services
Asia Commercial Bank (Trustee) Limited	10,000	100	Provision of trustee services
ACB Finance Limited	25,000	100	Dormant
Hocomban Investments Limited	5,000	100	Property investment
Hocomban Realty Limited	100	100	Dormant
AFH Credit Limited	5,000	100	Dormant
Asia Financial (Futures) Limited	20,000	100	Dormant
Asia Financial Pacific (Securities) Limited	12,000	100	Dormant
Asia Financial (Securities) Limited	15,000	100	Securities brokerage

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Subsidiaries**

A subsidiary is a company, other than a jointly-controlled entity, in which ACB, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

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

Joint venture companies

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

The joint venture agreement between the venturers stipulates the activities of the joint venture, capital contributions of the joint venture parties and details regarding the appointment of the board of directors or equivalent governing body of the joint venture. 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 ACB, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors;
- (b) a jointly-controlled entity, if ACB does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (c) an associate, if ACB 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 “Financial Instruments: Recognition and Measurement”, if ACB 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.

ACB 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. ACB Group’s interests in jointly-controlled entities are stated in the consolidated balance sheet at ACB 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 ACB’s income statement to the extent of dividends received and receivable. ACB’s investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and investment properties), 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.

An impairment loss is recognised only if the carrying amount of an asset exceeds the present value of 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, 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 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.

Related parties

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, are stated at cost or valuation less accumulated depreciation and any impairment losses. 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.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Leasehold buildings with residual lease periods of not more than 50 years are depreciated in equal annual instalments over the terms of leases excluding any renewal period. Leasehold buildings with residual lease periods of more than 50 years are depreciated on a reducing balance 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 or valuation 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.

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.

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 or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by ACB Group as an owner-occupied property becomes an investment property, ACB 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 accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Intangible assets

Intangible assets, representing the eligibility rights (the "Trading Rights") to trade on or through The Stock Exchange of Hong Kong Limited and The Hong Kong Futures Exchange Limited, are stated at cost less accumulated amortisation or carried at their carrying amount at the date when the assets are retired from active use, and any impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

The Trading Rights are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each balance sheet date.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to ACB 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 advances to customers. The amount comprises the gross investment in the finance leases less gross earnings allocated to future accounting periods.

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 ACB Group is the lessor, assets leased by ACB Group under operating leases are included in investment properties and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where ACB 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.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and building elements as finance lease in property, plant and equipment.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as either securities measured at fair value through profit or loss, loans and advances, held-to-maturity securities, and available-for-sale securities, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not measured at fair value through profit or loss, directly attributable transaction costs. ACB 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 i.e., the date that ACB Group commits to purchase 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.

Securities measured at fair value through profit or loss

Financial assets classified as held for trading are included in the category “Securities measured at fair value through profit or loss”. Financial assets are classified as held for trading if they are acquired for the purpose of selling 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.

Held-to-maturity securities

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity securities when ACB 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. Other long term investments that are intended to be held to maturity, such as bonds, 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. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and advances are derecognised or impaired, as well as through the amortisation process.

Available-for-sale securities

Available-for-sale securities are those non-derivative financial assets in listed and unlisted 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 securities are measured at fair value with gains or losses being 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.

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

ACB 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 advances and other accounts or held-to-maturity securities 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.

ACB Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and 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 also 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.

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 securities

If an available-for-sale securities 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 profit or loss, 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;
- ACB 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
- ACB 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.

Where ACB 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 ACB 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 ACB 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 ACB Group's continuing involvement is the amount of the transferred asset that ACB 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 ACB Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Derivative financial instruments

ACB Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and short-term highly liquid investments, including treasury bills and other debt securities, 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.

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 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 taxable temporary differences, except:

- where the deferred tax liability 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 taxable temporary differences associated with investments in subsidiaries 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.

Deferred tax assets are recognised for all 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 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.

Revenue recognition

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

- (i) interest income is recognised 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) interest income on finance leases is recognised on the basis as set out above under the heading of “Leases”;
- (iv) rental income is recognised on an accrual basis; and
- (v) dividend income is recognised when ACB Group’s right to receive payment has been established.

Staff retirement schemes

ACB 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 ACB Group is based on a specified percentage of the monthly relevant income of eligible employees. Forfeited contributions of the Fund in respect of employees who left before they became fully vested are available to ACB Group to reduce its ongoing funding and retirement scheme costs. ACB Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme, except for ACB Group’s employer voluntary contributions, which are refunded to ACB 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 ACB Group and placed in an independently administered fund.

Employment Ordinance long service payments

Certain of ACB Group’s employees have completed the required number of years of service to ACB 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. ACB 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 ACB Group.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits 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 ACB’s Memorandum and New Articles of Association 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

The Financial Information is presented in Hong Kong dollars, which is ACB's functional and presentation currency. Each entity in ACB 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.

Judgements

In the process of applying ACB Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Held-to-maturity securities

ACB Group follows the guidance of HKAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, ACB Group evaluates its intention and ability to hold such investments to maturity. If ACB Group fails to keep these investments to maturity other than for the specific circumstances, it is required to reclassify the entire class of held-to-maturity securities to other appropriate classes of financial assets. The investments would therefore be measured at fair value and not at amortised cost.

Estimation uncertainty

The key assumptions 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 discussed below.

Impairment allowances on loans and advances and other accounts

ACB Group reviews its loan portfolios to assess impairment at least on a regular basis. In determining whether an impairment loss should be recorded in the income statement, ACB Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in ACB. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3. CONSOLIDATED INCOME STATEMENTS

The following is a summary of the consolidated income statements of ACB Group for the Relevant Period, which is presented on the basis set out in Section 1 above:

	<i>Section</i>	Year ended 31 December		
		2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
INTEREST INCOME		359,964	371,013	614,912
INTEREST EXPENSE		(133,524)	(125,080)	(375,060)
NET INTEREST INCOME		226,440	245,933	239,852
Other operating income	3(a)	57,838	67,607	75,143
Operating expenses	3(b)	(186,289)	(171,871)	(159,211)
Impairment losses and allowances	3(c)	(21,500)	(26,221)	(54,852)
Impairment allowance against loans to jointly-controlled entities		(8,340)	(2,500)	–
Write-back of impairment allowance against a loan to a jointly-controlled entity		–	4,433	3,500
Gain on disposal of a jointly-controlled entity		–	2,990	–
Gains less losses from disposal of property, plant and equipment		–	2,980	–
Share of profits and losses of a jointly-controlled entity		–	2,400	1,900
PROFIT BEFORE TAX		68,149	125,751	106,332
Tax	3(e)	(12,149)	(20,887)	(19,740)
PROFIT FOR THE YEAR		56,000	104,864	86,592
DIVIDENDS:	3(f)			
Interim		5,265	24,300	15,390
Proposed final		34,020	38,070	31,995
		39,285	62,370	47,385
EARNINGS PER SHARE (HK\$)	3(g)			
Basic		6.91	12.95	10.69
Diluted		N/A	N/A	N/A

Notes:

(a) OTHER OPERATING INCOME

	Year ended 31 December		
	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000
Fees and commission income:			
Retail and commercial banking	32,758	35,898	33,832
Securities	12,049	13,482	13,641
	<u>44,807</u>	<u>49,380</u>	<u>47,473</u>
Fees and commission expenses	<u>(1,313)</u>	<u>(1,434)</u>	<u>(1,595)</u>
Net fees and commission income	43,494	47,946	45,878
Gains less losses arising from dealing in foreign currencies	7,190	8,877	11,365
Dividend income from listed investments	–	189	361
Dividend income from unlisted investments	780	2,315	999
Gain on disposal of securities measured at fair value through profit or loss	–	2,933	9,280
Fair value gains on securities measured at fair value through profit or loss	1,531	159	2,438
Gross rental income	2,937	3,026	3,505
Less: Direct operating expenses	<u>(15)</u>	<u>(15)</u>	<u>(15)</u>
Net rental income	2,922	3,011	3,490
Others	<u>1,921</u>	<u>2,177</u>	<u>1,332</u>
	<u><u>57,838</u></u>	<u><u>67,607</u></u>	<u><u>75,143</u></u>

(b) OPERATING EXPENSES

	Section	Year ended 31 December		
		2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Staff costs (including directors' remuneration, <i>Section 3(d)</i>):				
Salaries and other staff costs		92,246	89,053	92,265
Provident fund contributions		3,451	3,031	4,042
		<u>95,697</u>	<u>92,084</u>	<u>96,307</u>
Buildings and equipment expenses:				
Minimum lease payments under operating leases in respect of leasehold buildings		11,416	7,802	4,941
Others		14,601	14,059	12,489
		<u>26,017</u>	<u>21,861</u>	<u>17,430</u>
Auditors' remuneration		1,150	1,150	1,210
Amortisation of intangible assets	4(k)	144	56	56
Impairment of intangible assets	4(k)	–	88	88
Depreciation charges	4(l)	19,940	17,867	15,697
Write-off of property, plant and equipment	4(l)	79	311	20
Changes in fair value gains on revaluation of leasehold buildings	4(l)	–	(4,771)	(1,499)
Fair value gains on revaluation of investment properties	4(m)	–	(1,463)	(6,020)
Others		43,262	44,688	35,922
		<u>186,289</u>	<u>171,871</u>	<u>159,211</u>

(c) IMPAIRMENT LOSSES AND ALLOWANCES

	Year ended 31 December		
	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Impairment/(write-back of impairment) against:			
– Loans and advances to customers	21,956	26,326	27,380
– Accrued interest and other accounts	33	72	27,903
	<u>21,989</u>	<u>26,398</u>	<u>55,283</u>
– Trade bills	(489)	(177)	(431)
	<u>21,500</u>	<u>26,221</u>	<u>54,852</u>
Net charge of impairment losses and allowances			
– Individually assessed on loans and advances and other accounts	25,919	20,558	61,634
– Collectively assessed on loans and advances and other accounts	(3,930)	5,840	(6,351)
– Collectively assessed on trade bills	(489)	(177)	(431)
	<u>21,500</u>	<u>26,221</u>	<u>54,852</u>
of which			
– new allowances (including any amount directly written off in the year)	50,092	46,133	99,966
– releases	(28,592)	(19,912)	(45,114)
Net charge to the income statement	<u>21,500</u>	<u>26,221</u>	<u>54,852</u>

(d) DIRECTORS' REMUNERATION

Directors' remuneration for each of the Relevant Period, disclosed pursuant to Section 161 of the Companies Ordinance, are as follows:

	Year ended 31 December		
	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000
Fees	580	597	745
Other emoluments	6,952	7,433	10,135
	<u>7,532</u>	<u>8,030</u>	<u>10,880</u>

(e) TAX

Hong Kong profits tax has been provided at the rate of 17.5% for each of the Relevant Period on the estimated assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which ACB Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Year ended 31 December		
	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000
Current tax charge for the year:			
Hong Kong	13,588	20,815	17,334
Elsewhere	633	876	1,521
Deferred tax charge/(credit), net			
– Section 4(r)	288	(804)	2,428
Overprovision of current tax			
in respect of prior years	(2,360)	–	(1,543)
	<u>12,149</u>	<u>20,887</u>	<u>19,740</u>

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for ACB and its subsidiaries and jointly-controlled entities 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:

ACB Group – 2003

	Hong Kong		Mainland China		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Profit before tax	<u>61,892</u>		<u>6,257</u>		<u>68,149</u>	
Tax at the statutory tax rate	10,831	17.5	939	15.0	11,770	17.3
Effect on opening deferred tax due to increase in tax rate	(946)	(1.5)	–	–	(946)	(1.4)
Adjustments in respect of current tax of previous periods	(2,360)	(3.8)	–	–	(2,360)	(3.5)
Income not subject to tax	(3,569)	(5.8)	(306)	(4.9)	(3,875)	(5.7)
Expenses not deductible for tax	7,677	12.4	–	–	7,677	11.3
Tax losses utilised from previous periods	(117)	(0.2)	–	–	(117)	(0.2)
Tax charge at ACB Group's effective rate	<u>11,516</u>	<u>18.6</u>	<u>633</u>	<u>10.1</u>	<u>12,149</u>	<u>17.8</u>

ACB Group – 2004

	Hong Kong		Mainland China		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Profit/(loss) before tax	<u>128,752</u>		<u>(3,001)</u>		<u>125,751</u>	
Tax at the statutory tax rate	22,532	17.5	(450)	15.0	22,082	17.5
Profits and losses attributable to jointly-controlled entities	(295)	(0.2)	–	–	(295)	(0.2)
Income not subject to tax	(6,048)	(4.7)	–	–	(6,048)	(4.8)
Expenses not deductible for tax	3,914	3.0	1,326	(44.2)	5,240	4.2
Tax losses utilised from previous periods	(165)	(0.1)	–	–	(165)	(0.1)
Tax losses not recognised	73	–	–	–	73	–
Tax charge at ACB Group's effective rate	<u>20,011</u>	<u>15.5</u>	<u>876</u>	<u>(29.2)</u>	<u>20,887</u>	<u>16.6</u>

ACB Group – 2005

	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit/(loss) before tax	<u>111,107</u>		<u>(4,775)</u>		<u>106,332</u>	
Tax at the statutory tax rate	19,444	17.5	(716)	15.0	18,728	17.6
Profits and losses attributable to jointly-controlled entities	(332)	(0.3)	–	–	(332)	(0.3)
Income not subject to tax	(3,939)	(3.5)	–	–	(3,939)	(3.7)
Expenses not deductible for tax	4,857	4.4	2,237	(46.8)	7,094	6.7
Tax losses not recognised	(268)	(0.3)	–	–	(268)	(0.2)
Adjustments in respect of current tax of previous periods	<u>(1,543)</u>	<u>(1.4)</u>	<u>–</u>	<u>–</u>	<u>(1,543)</u>	<u>(1.5)</u>
Tax charge at ACB Group's effective rate	<u>18,219</u>	<u>16.4</u>	<u>1,521</u>	<u>(31.8)</u>	<u>19,740</u>	<u>18.6</u>

The share of tax attributable to jointly-controlled entities for each of the Relevant Period were nil, HK\$295,000 and HK\$332,000, respectively. They were included in "Share of profits and losses of jointly-controlled entities" on the face of the income statements.

(f) DIVIDENDS

	Year ended 31 December		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Interim dividend	5,265	24,300	15,390
Proposed final dividend	<u>34,020</u>	<u>38,070</u>	<u>31,995</u>
	<u>39,285</u>	<u>62,370</u>	<u>47,385</u>

(g) EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for each of the Relevant Period of approximately HK\$56,000,000, HK\$104,864,000 and HK\$86,592,000, respectively, and the 8,100,000 ordinary shares in issue as at 31 December 2003, 2004 and 2005.

Diluted earnings per share amounts for each of the Relevant Period have not been disclosed as no diluting events existed during these years.

4. BALANCE SHEETS

The following is a summary of the consolidated balance sheets of ACB Group and balance sheets of ACB as at 31 December 2003, 2004 and 2005, which is presented on the basis set out in Section 1 above:

Consolidated balance sheets of ACB Group

		31 December		
	<i>Section</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
ASSETS				
Cash and short-term funds	<i>4(a)</i>	2,405,282	2,104,039	2,366,638
Placements with bank and other financial institutions maturing between one and twelve months	<i>4(b)</i>	816,929	830,333	361,675
Trade bills	<i>4(c)</i>	82,420	53,684	34,969
Securities measured at fair value through profit or loss	<i>4(d)</i>	21,287	56,523	66,020
Derivative receivables	<i>4(e)</i>	49,734	59,087	47,855
Loans and advances to customers and other accounts	<i>4(f)</i>	7,307,398	7,993,496	9,233,938
Available-for-sale securities	<i>4(g)</i>	8,879	8,879	6,804
Held-to-maturity securities	<i>4(h)</i>	2,096,713	2,931,939	3,579,051
Loan to a jointly-controlled entity	<i>4(j)</i>	25,197	26,500	30,000
Interests in jointly-controlled entities	<i>4(j)</i>	17,800	19,200	21,100
Intangible assets	<i>4(k)</i>	887	743	599
Property, plant and equipment	<i>4(l)</i>	293,014	353,015	386,468
Investment properties	<i>4(m)</i>	14,177	15,640	21,660
		<hr/>	<hr/>	<hr/>
Total assets		<u>13,139,717</u>	<u>14,453,078</u>	<u>16,156,777</u>

APPENDIX II**ACCOUNTANTS' REPORT ON ACB**

		31 December		
		2003	2004	2005
	<i>Section</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES				
Deposits and balances of banks and other financial institutions	<i>4(n)</i>	307,077	592,678	966,379
Derivative payables	<i>4(e)</i>	49,922	57,669	54,524
Deposits from customers	<i>4(o)</i>	9,670,954	10,776,743	11,524,909
Certificates of deposit issued	<i>4(p)</i>	1,193,028	1,025,028	1,423,451
Other liabilities	<i>4(q)</i>	191,221	152,020	270,896
Tax payable		4,406	11,306	–
Deferred tax liabilities	<i>4(r)</i>	24,141	34,077	43,931
Total liabilities		<u>11,440,749</u>	<u>12,649,521</u>	<u>14,284,090</u>
EQUITY				
Issued capital	<i>4(s)</i>	810,000	810,000	810,000
Reserves	<i>4(t)</i>	854,948	955,487	1,030,692
Proposed final dividend		34,020	38,070	31,995
Total equity		<u>1,698,968</u>	<u>1,803,557</u>	<u>1,872,687</u>
Total equity and liabilities		<u><u>13,139,717</u></u>	<u><u>14,453,078</u></u>	<u><u>16,156,777</u></u>

Balance sheets of ACB

		31 December		
		2003	2004	2005
	<i>Section</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS				
Cash and short-term funds	4(a)	2,402,768	2,094,825	2,365,624
Placements with banks and other financial institutions maturing between one and twelve months	4(b)	816,929	830,333	361,675
Trade bills	4(c)	82,420	53,684	34,969
Securities measured at fair value through profit or loss	4(d)	21,287	56,523	66,020
Derivative receivables	4(e)	49,734	59,087	47,855
Loans and advances and other accounts	4(f)	7,320,081	8,004,707	9,247,172
Available-for-sale securities	4(g)	8,879	8,879	6,804
Held-to-maturity securities	4(h)	2,096,713	2,931,939	3,579,051
Investments in subsidiaries	4(i)	75,135	66,952	66,952
Loan to a jointly-controlled entity	4(j)	25,197	26,500	30,000
Interests in jointly-controlled entities	4(j)	40,000	39,000	39,000
Property, plant and equipment	4(l)	258,375	309,714	340,487
Investment properties	4(m)	14,177	15,640	21,660
Total assets		13,211,695	14,497,783	16,207,269
LIABILITIES				
Deposits and balances of banks and other financial institutions	4(n)	307,077	592,678	966,379
Derivative payables	4(e)	49,922	57,669	54,524
Deposits from customers	4(o)	9,742,557	10,856,460	11,612,973
Certificates of deposit issued	4(p)	1,193,028	1,025,028	1,423,451
Other liabilities	4(q)	304,387	245,973	373,509
Tax payable		4,314	11,234	–
Deferred tax liabilities	4(r)	19,671	27,862	37,068
Total liabilities		11,620,956	12,816,904	14,467,904
EQUITY				
Issued capital	4(s)	810,000	810,000	810,000
Reserves	4(t)	746,719	832,809	897,370
Proposed final dividend		34,020	38,070	31,995
Total equity		1,590,739	1,680,879	1,739,365
Total equity and liabilities		13,211,695	14,497,783	16,207,269

Notes:

(a) CASH AND SHORT-TERM FUNDS

	ACB Group			ACB		
	31 December			31 December		
	2003	2004	2005	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash in hand	77,787	63,422	53,058	77,787	63,422	53,058
Placement with banks and other financial institutions	347,899	257,882	151,824	346,885	256,868	150,810
Money at call and short notice	1,889,711	1,672,947	2,062,385	1,888,211	1,664,747	2,062,385
Treasury bills including Exchange Fund Bills*	89,885	109,788	99,371	89,885	109,788	99,371
	<u>2,405,282</u>	<u>2,104,039</u>	<u>2,366,638</u>	<u>2,402,768</u>	<u>2,094,825</u>	<u>2,365,624</u>

* The treasury bills including Exchange Fund Bills are all unlisted debt securities issued by central governments and central banks. The maturity profile of which as at 31 December 2003, 2004 and 2005 is as follows:

ACB Group and ACB	31 December		
	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000
With a residual maturity of:			
Three months or less	59,962	89,913	69,705
One year or less but over three months	29,923	19,875	29,666
	<u>89,885</u>	<u>109,788</u>	<u>99,371</u>

(b) PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS MATURING BETWEEN ONE AND TWELVE MONTHS

The maturity profile of the placements with banks and other financial institutions maturing between one and twelve months as at 31 December 2003, 2004 and 2005 is as follows:

ACB Group and ACB	31 December		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
With a residual maturity of:			
Three months or less	499,867	602,537	270,944
One year or less but over three months	317,062	227,796	90,731
	816,929	830,333	361,675
	816,929	830,333	361,675

(c) TRADE BILLS

ACB Group and ACB	31 December		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Trade bills	83,115	54,202	35,056
Less:			
– Collective impairment allowance	(695)	(518)	(87)
	82,420	53,684	34,969
	82,420	53,684	34,969

(d) SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

ACB Group and ACB	31 December		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Listed equity securities, at market value:			
– in Hong Kong	3,619	2,964	27,922
– outside Hong Kong	3,295	–	11,847
	<u>6,914</u>	<u>2,964</u>	<u>39,769</u>
Unlisted debt securities, at quoted market price	–	6,070	–
Unlisted investment funds, at quoted market price	–	16,667	26,251
Equity-linked notes	14,373	30,822	–
	<u>14,373</u>	<u>53,559</u>	<u>26,251</u>
Total	<u>21,287</u>	<u>56,523</u>	<u>66,020</u>

(e) DERIVATIVE FINANCIAL INSTRUMENTS

ACB Group uses the following derivative instruments:

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 currency 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. ACB 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, ACB 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 ACB Group and an over-the-counter customer. ACB 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 ACB'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. The fair values of derivative instruments held are set out below.

	Contract/notional amount HK\$'000	ACB Group and ACB Fair values	
		Assets HK\$'000	Liabilities HK\$'000
2003			
Derivatives held for trading			
Foreign exchange rate contracts	2,795,539	49,734	49,922
2004			
Derivatives held for trading			
Foreign exchange rate contracts	4,352,316	59,087	57,669
2005			
Derivatives held for trading			
Foreign exchange rate contracts	8,672,575	46,525	52,928
Interest rate swap	150,000	1,330	1,596
	8,822,575	47,855	54,524
Credit risk weighted amount			
	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000
Foreign exchange rate contracts	5,738	8,976	17,557
Interest rate swap	–	–	150
	5,738	8,976	17,707

(f) LOANS AND ADVANCES AND OTHER ACCOUNTS

	ACB Group			ACB		
	31 December			31 December		
	2003	2004	2005	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loans and advances	7,259,067	7,871,709	9,075,903	7,236,938	7,871,239	9,075,903
Accrued interest and other accounts	199,764	221,449	248,732	219,584	232,861	261,961
	<u>7,458,831</u>	<u>8,093,158</u>	<u>9,324,635</u>	<u>7,456,522</u>	<u>8,104,100</u>	<u>9,337,864</u>
Gross loans and advances and other accounts						
<i>Less:</i> Impairment allowances for loans and advances						
– Individually assessed	(125,257)	(67,576)	(41,452)	(110,088)	(67,305)	(41,452)
– Collectively assessed	(25,398)	(31,238)	(24,887)	(25,575)	(31,238)	(24,887)
	<u>(150,655)</u>	<u>(98,814)</u>	<u>(66,339)</u>	<u>(135,663)</u>	<u>(98,543)</u>	<u>(66,339)</u>
<i>Less:</i> Impairment allowances for accrued interest and other accounts						
– Individually assessed	(778)	(850)	(27,187)	(778)	(850)	(27,187)
Tax recoverable	<u>–</u>	<u>2</u>	<u>2,829</u>	<u>–</u>	<u>–</u>	<u>2,834</u>
Loans and advances and other accounts	<u>7,307,398</u>	<u>7,993,496</u>	<u>9,233,938</u>	<u>7,320,081</u>	<u>8,004,707</u>	<u>9,247,172</u>

ACB Group's and ACB's accrued interest and other accounts were current in nature as at 31 December 2003, 2004 and 2005.

The amounts due from subsidiaries included in ACB's other accounts are unsecured, interest-free and have no fixed terms of repayment.

The carrying amounts of ACB Group's and ACB's of accrued interest and other accounts approximate their fair values.

	ACB Group			ACB		
	31 December			31 December		
	2003	2004	2005	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Impaired loans are analysed as follows:						
Impaired loans:						
Loans and advances	<u>248,952</u>	<u>161,898</u>	<u>138,194</u>	<u>226,646</u>	<u>161,428</u>	<u>138,194</u>
Gross impaired loans (Note (i))	248,952	161,898	138,194	226,646	161,428	138,194
Impairment allowances made in respect of such loans	(101,344)	(44,530)	(41,452)	(86,174)	(44,259)	(41,452)
As a percentage of total loans and advances	<u>3.43%</u>	<u>2.06%</u>	<u>1.52%</u>	<u>3.13%</u>	<u>2.05%</u>	<u>1.52%</u>

Note:

- (i) Impaired loans are defined as those loans having objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the loans that can be reliably estimated.

The above loan impairment allowances were made after taking into account the value of collateral in respect of such advances.

Movements in impairment allowances on loans and advances and other accounts:

ACB Group

	Individual impairment allowance <i>HK\$'000</i>	Collective impairment allowance <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2003	123,774	28,839	152,613
Amounts written-off	(29,161)	–	(29,161)
Impairment losses charged to the income statement	45,934	4,158	50,092
Impairment losses released to the income statement	(20,504)	(7,599)	(28,103)
Net charge of loan impairment losses	25,430	(3,441)	21,989
Loan recovered	5,992	–	5,992
At 31 December 2003	<u>126,035</u>	<u>25,398</u>	<u>151,433</u>
Deducted from:			
Loans and advances	125,257	25,398	150,655
Accrued interest and other accounts	778	–	778
	<u>126,035</u>	<u>25,398</u>	<u>151,433</u>

Movements in impairment allowances on loans and advances and other accounts:

ACB Group

	Individual impairment allowance	Collective impairment allowance	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2004	126,035	25,398	151,433
Amounts written-off	(85,634)	–	(85,634)
Impairment losses charged to the income statement	35,388	10,745	46,133
Impairment losses released to the income statement	(14,830)	(4,905)	(19,735)
Net charge of loan impairment losses	20,558	5,840	26,398
Loans recovered	7,467	–	7,467
At 31 December 2004	<u>68,426</u>	<u>31,238</u>	<u>99,664</u>
Deducted from:			
Loan and advances	67,576	31,238	98,814
Accrued interest and other accounts	850	–	850
	<u>68,426</u>	<u>31,238</u>	<u>99,664</u>
At 1 January 2005	68,426	31,238	99,664
Amounts written-off	(64,892)	–	(64,892)
Impairment losses charged to the income statement	99,966	–	99,966
Impairment losses released to the income statement	(38,332)	(6,351)	(44,683)
Net charge of loan impairment losses	61,634	(6,351)	55,283
Loan recovered	3,471	–	3,471
At 31 December 2005	<u>68,639</u>	<u>24,887</u>	<u>93,526</u>
Deducted from:			
Loans and advances	41,452	24,887	66,339
Accrued interest and other accounts	27,187	–	27,187
	<u>68,639</u>	<u>24,887</u>	<u>93,526</u>

Movements in impairment allowances on loans and advances and other accounts:

ACB

	Individual impairment allowance	Collective impairment allowance	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2003	100,540	25,344	125,884
Amounts written-off	(28,497)	–	(28,497)
Transfer from a subsidiary of ACB	556	4,775	5,331
Impairment losses charged to the income statement	44,652	3,544	48,196
Impairment losses released back to the income statement	(12,365)	(8,088)	(20,453)
Net charge of loan impairment losses	<u>32,287</u>	<u>(4,544)</u>	<u>27,743</u>
Loan recovered	<u>5,980</u>	<u>–</u>	<u>5,980</u>
At 31 December 2003	<u>110,866</u>	<u>25,575</u>	<u>136,441</u>
Deducted from:			
Loans and advances to customers	110,088	25,575	135,663
Accrued interest and other accounts	<u>778</u>	<u>–</u>	<u>778</u>
	<u>110,866</u>	<u>25,575</u>	<u>136,441</u>
At 1 January 2004	110,866	25,575	136,441
Amounts written-off	(70,558)	–	(70,558)
Impairment losses charged to the income statement	34,413	10,745	45,158
Impairment losses released back to the income statement	(13,713)	(5,082)	(18,795)
Net charge to the income statement	<u>20,700</u>	<u>5,663</u>	<u>26,363</u>
Loan recovered	<u>7,147</u>	<u>–</u>	<u>7,147</u>
At 31 December 2004	<u>68,155</u>	<u>31,238</u>	<u>99,393</u>
Deducted from:			
Loans and advances to customers	67,305	31,238	98,543
Accrued interest and other accounts	<u>850</u>	<u>–</u>	<u>850</u>
	<u>68,155</u>	<u>31,238</u>	<u>99,393</u>

Movement in impairment allowances on loans and advances and other accounts:

ACB

	Individual impairment allowance	Collective impairment allowance	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2005	68,155	31,238	99,393
Amounts written-off	(64,892)	–	(64,892)
Impairment losses charged to the income statement	99,966	–	99,966
Impairment losses released back to the income statement	(37,805)	(6,351)	(44,156)
Net charge of loan impairment losses	<u>62,161</u>	<u>(6,351)</u>	<u>55,810</u>
Loan recovered	<u>3,215</u>	<u>–</u>	<u>3,215</u>
At 31 December 2005	<u>68,639</u>	<u>24,887</u>	<u>93,526</u>
Deducted from:			
Loans and advances to customers	41,452	24,887	66,339
Accrued interest and other accounts	<u>27,187</u>	<u>–</u>	<u>27,187</u>
	<u><u>68,639</u></u>	<u><u>24,887</u></u>	<u><u>93,526</u></u>

Finance lease receivables

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

ACB Group and ACB

	Minimum lease payments 2003 HK\$'000	Minimum lease payments 2004 HK\$'000	Minimum lease payments 2005 HK\$'000	Present value of minimum lease payments 2003 HK\$'000	Present value of minimum lease payments 2004 HK\$'000	Present value of minimum lease payments 2005 HK\$'000
Amounts receivable under finance leases:						
Within one year	168,335	200,672	237,382	144,575	177,625	206,021
In the second to fifth years, inclusive	246,854	276,866	327,957	216,387	252,573	282,110
Over five years	127,361	95,415	148,477	101,414	81,149	104,890
	<u>542,550</u>	<u>572,953</u>	<u>713,816</u>	<u>462,376</u>	<u>511,347</u>	<u>593,021</u>
<i>Less:</i> Unearned finance income	<u>(80,174)</u>	<u>(61,606)</u>	<u>(120,795)</u>			
Present value of minimum lease payments receivable	<u>462,376</u>	<u>511,347</u>	<u>593,021</u>			

ACB Group has 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.

The maturity profile of the loans and advances as at 31 December 2003, 2004 and 2005 is as follows:

	ACB Group			ACB		
	31 December			31 December		
	2003	2004	2005	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Repayable on demand	504,595	631,164	639,043	504,595	631,164	639,043
With a residual maturity of:						
Three months or less	1,060,019	1,238,398	1,490,372	1,060,019	1,238,398	1,490,372
One year or less but over three months	851,271	1,103,732	1,048,761	851,271	1,103,732	1,048,761
Five years or less but over one year	2,298,357	2,543,395	2,645,647	2,298,357	2,543,395	2,645,647
Over five years	2,266,471	2,188,907	3,192,361	2,266,471	2,188,907	3,192,361
Undated	278,354	166,113	59,719	256,225	165,643	59,719
	<u>7,259,067</u>	<u>7,871,709</u>	<u>9,075,903</u>	<u>7,236,938</u>	<u>7,871,239</u>	<u>9,075,903</u>

(g) **AVAILABLE-FOR-SALE SECURITIES**

ACB Group and ACB

	31 December		
	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000
Unlisted equity	<u>8,879</u>	<u>8,879</u>	<u>6,804</u>

The movement in available-for-sale securities is as follows:

At 1 January	8,879	8,879	8,879
Disposal to Asia Financial Holdings Limited ("AFH") [#]	<u>—</u>	<u>—</u>	<u>(2,075)</u>
At 31 December	<u>8,879</u>	<u>8,879</u>	<u>6,804</u>

The fair values of unlisted available-for-sale equity investments have been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates.

[#] *AFH, a company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited, is the ultimate holding company of ACB as at 31 December 2003, 2004 and 2005.*

(h) HELD-TO-MATURITY SECURITIES

ACB Group and ACB

	31 December		
	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000
Debt securities, at amortised cost:			
– listed in Hong Kong	–	19,977	19,978
– listed outside Hong Kong	93,535	39,991	85,734
– unlisted*	2,003,178	2,871,971	3,473,339
	<u>2,096,713</u>	<u>2,931,939</u>	<u>3,579,051</u>
Market value of listed held-to-maturity securities	<u>93,371</u>	<u>59,700</u>	<u>103,306</u>

* Included certificate of deposits held of HK\$718,372,000, HK\$989,974,000 and HK\$572,321,000 as at 31 December 2003, 2004 and 2005 respectively.

The held-to-maturity securities analysed by issuer as at 31 December 2003, 2004 and 2005 date were as follows:

ACB Group and ACB

	31 December		
	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000
Public sector entities	–	48,323	23,262
Banks and other financial institutions	1,960,087	2,643,333	3,171,573
Corporate entities	136,626	240,283	384,216
	<u>2,096,713</u>	<u>2,931,939</u>	<u>3,579,051</u>

The maturity profile of held-to-maturity securities as at 31 December 2003, 2004 and 2005 is as follows:

ACB Group and ACB

	31 December		
	2003	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
With a residual maturity of:			
Three months or less	393,237	763,317	638,372
One year or less but over three months	483,396	540,920	388,698
Five years or less but over one year	1,141,741	1,569,803	2,409,797
Over five years	78,339	57,899	142,184
	<u>2,096,713</u>	<u>2,931,939</u>	<u>3,579,051</u>

(i) INVESTMENTS IN SUBSIDIARIES

ACB

	31 December		
	2003	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	75,135	75,135	66,952
Impairment	–	(8,183)	–
	<u>75,135</u>	<u>66,952</u>	<u>66,952</u>

The amount due from and to subsidiaries included in ACB's assets and liabilities are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts due from/to subsidiaries approximate their fair values.

(j) INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	ACB Group			ACB		
	31 December			31 December		
	2003	2004	2005	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost	–	–	–	40,000	39,000	39,000
Share of net assets other than goodwill	16,310	19,200	21,100	–	–	–
Share of goodwill	1,490	–	–	–	–	–
	<u>17,800</u>	<u>19,200</u>	<u>21,100</u>	<u>40,000</u>	<u>39,000</u>	<u>39,000</u>
Loan to a jointly-controlled entity	39,130	31,000	31,000	39,130	31,000	31,000
Less: Impairment	(13,933)	(4,500)	(1,000)	(13,933)	(4,500)	(1,000)
	<u>25,197</u>	<u>26,500</u>	<u>30,000</u>	<u>25,197</u>	<u>26,500</u>	<u>30,000</u>

The loan to a jointly-controlled entity as at 31 December 2003, 2004 and 2005 was unsecured, interest-free and is repayable by 29 December 2008. The carrying amount of the loan approximates its fair value. The above loan was assigned to AFH subsequent to 31 December 2005 as detailed in Section 8 of this report.

Particulars of the jointly-controlled entities of ACB Group as at 31 December 2003, 2004 and 2005 are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of			Voting power	Principal activities
			Ownership interest and profit sharing				
			2003	2004	2005		
Bank Consortium Holding Limited*	Corporate	Hong Kong	13.3	13.3	13.3	1 out of 7 [#]	Provision of mandatory provident fund scheme services
Card Alliance Company Limited [@]	Corporate	Hong Kong	33.3	–	–	2 out of 6 [#]	Provision of credit card support services
Net Alliance Co. Limited	Corporate	Hong Kong	15	15	15	2 out of 10 [#]	Provision of electronic banking support services

Name	Business structure	Place of incorporation and operations	Percentage of Ownership interest and profit sharing			Voting power	Principal activities
			2003	2004	2005		
Hong Kong Life Insurance Limited*	Corporate	Hong Kong	8.3	8.3	8.3	1 out of 12 [#]	Provision of writing of long term insurance business

* *Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms. These two jointly-controlled entities were disposed of to AFH subsequent to 31 December 2005 as detailed in Section 8 of this report.*

[#] *Representing the number of votes on the board of directors attributable to ACB Group.*

[@] *Disposed during the year ended 31 December 2004.*

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

	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Share of the jointly-controlled entities' assets and liabilities:			
Assets	92,353	116,306	154,741
Liabilities	(46,912)	(70,798)	(135,910)
Net assets	<u>45,441</u>	<u>45,508</u>	<u>18,831</u>
Share of the jointly-controlled entities' profits and losses:			
Turnover	38,771	44,820	53,807
Other revenue	775	2,868	3,587
Total revenue	39,546	47,688	57,394
Total expenses	(39,357)	(44,993)	(55,162)
Tax	(189)	(295)	(332)
Profit after tax	<u>–</u>	<u>2,400</u>	<u>1,900</u>

(k) INTANGIBLE ASSETS

ACB Group

HK\$'000

Cost and carrying value:

At 1 January 2003, 31 December 2003, 31 December
2004 and 31 December 2005

1,437

Accumulated amortisation and impairment:

At 1 January 2003

406

Amortisation provided during the year (*Section 3 (b)*)

144

At 31 December 2003 and 1 January 2004

550

Amortisation provided during the year (*Section 3 (b)*)

56

Impairment during the year recognised in the income statement (*Section 3 (b)*)

88

At 31 December 2004 and 1 January 2005

694

Amortisation provided during the year (*Section 3 (b)*)

56

Impairment during the year recognised in the income statement (*Section 3 (b)*)

88

At 31 December 2005

838

Net book value:

At 31 December 2003

887

At 31 December 2004

743

At 31 December 2005

599

The intangible assets represent three units of Stock Exchange Trading Right and one unit of Futures Exchange Trading Right in Hong Kong Exchanges and Clearing Limited. During the year ended 31 December 2004, the Futures Exchange Trading Right retired from active use and was held for disposal and was carried at its carrying amount of HK\$455,000 and HK\$367,000 as at 31 December 2004 and 2005, respectively.

(I) PROPERTY, PLANT AND EQUIPMENT

	ACB Group			ACB		
	Furniture, fixtures, equipment and motor			Furniture, fixtures, equipment and motor		
	Buildings	vehicles	Total	Buildings	vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation:						
At 1 January 2003	277,664	157,852	435,516	243,014	148,902	391,916
Additions	2,292	7,526	9,818	2,292	7,526	9,818
Disposals	-	(105)	(105)	-	-	-
Write-off	-	(664)	(664)	-	(571)	(571)
<hr/>						
At 31 December 2003 and 1 January 2004	279,956	164,609	444,565	245,306	155,857	401,163
Additions	-	11,062	11,062	-	11,054	11,054
Disposals	(6,600)	(241)	(6,841)	(6,600)	(241)	(6,841)
Write-off	-	(4,222)	(4,222)	-	(4,222)	(4,222)
Surplus on revaluation	61,755	-	61,755	53,223	-	53,223
<hr/>						
At 31 December 2004 and 1 January 2005	335,111	171,208	506,319	291,929	162,448	454,377
Additions	-	4,247	4,247	-	4,247	4,247
Write-off	-	(24)	(24)	-	(24)	(24)
Surplus on revaluation	37,759	-	37,759	34,970	-	34,970
<hr/>						
At 31 December 2005	372,870	175,431	548,301	326,899	166,671	493,570
<hr/>						
Accumulated depreciation:						
At 1 January 2003	-	132,245	132,245	-	125,048	125,048
Charge for the year	6,065	13,875	19,940	5,344	12,929	18,273
Disposals	-	(49)	(49)	-	-	-
Write-off	-	(585)	(585)	-	(533)	(533)
<hr/>						
At 31 December 2003 and 1 January 2004	6,065	145,486	151,551	5,344	137,444	142,788
Charge for the year	5,933	11,934	17,867	5,213	11,335	16,548
Disposal	(197)	(205)	(402)	(197)	(205)	(402)
Write-off	-	(3,911)	(3,911)	-	(3,911)	(3,911)
Write-back on revaluation	(11,801)	-	(11,801)	(10,360)	-	(10,360)
<hr/>						

APPENDIX II
ACCOUNTANTS' REPORT ON ACB

	ACB Group			ACB		
	Furniture, fixtures, equipment and motor			Furniture, fixtures, equipment and motor		
	Buildings	vehicles	Total	Buildings	vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2004 and 1 January 2005	-	153,304	153,304	-	144,663	144,663
Charge for the year	7,164	8,533	15,697	6,248	8,424	14,672
Write-off	-	(4)	(4)	-	(4)	(4)
Write-back on revaluation	(7,164)	-	(7,164)	(6,248)	-	(6,248)
At 31 December 2005	-	161,833	161,833	-	153,083	153,083
Net book value:						
At 31 December 2003	273,891	19,123	293,014	239,962	18,413	258,375
At 31 December 2004	335,111	17,904	353,015	291,929	17,785	309,714
At 31 December 2005	372,870	13,598	386,468	326,899	13,588	340,487
Analysis of cost or valuation:						
At cost	-	19,123	19,123	-	18,413	18,413
At 31 December 2003 valuation	273,891	-	273,891	239,962	-	239,962
	273,891	19,123	293,014	239,962	18,413	258,375
Analysis of cost or valuation:						
At cost	-	17,904	17,904	-	17,785	17,785
At 31 December 2004 valuation	335,111	-	335,111	291,929	-	291,929
	335,111	17,904	353,015	291,929	17,785	309,714
Analysis of cost or valuation:						
At cost	-	13,598	13,598	-	13,588	13,588
At 31 December 2005 valuation	372,870	-	372,870	326,899	-	326,899
	372,870	13,598	386,468	326,899	13,588	340,487

All of ACB Group's and ACB's buildings were revalued as at 31 December 2003, 2004 and 2005 by A. G. Wilkinson & Associates, independent professionally qualified valuers, at an open market value, based on their existing use. The revaluation surpluses of approximately nil, HK\$68,785,000 and HK\$43,424,000 and nil, HK\$58,812,000 and HK\$39,719,000 of ACB Group and ACB at 31 December 2003, 2004 and 2005 respectively, have been credited to the asset revaluation reserve (Section 4(t)), while a surplus of approximately nil, HK\$4,771,000 and HK\$1,499,000 has been credited to the income statement for each of the Relevant Period (Section 3(b)). The net book value of the buildings comprises:

	ACB Group			ACB		
	31 December			31 December		
	2003	2004	2005	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Long term leases in Hong Kong	191,754	244,292	256,441	168,871	216,110	226,470
Medium term leases in Hong Kong	57,358	63,580	87,600	46,312	48,580	71,600
Medium term leases outside Hong Kong	24,779	27,239	28,829	24,779	27,239	28,829
	<u>273,891</u>	<u>335,111</u>	<u>372,870</u>	<u>239,962</u>	<u>291,929</u>	<u>326,899</u>

Had ACB Group's revalued buildings been carried at cost less accumulated depreciation, they would have been included in this report as at 31 December 2003, 2004 and 2005 at approximately HK\$166,251,000, HK\$151,001,000 and HK\$147,682,000, respectively.

Had ACB's revalued buildings been carried at cost less accumulated depreciation, they would have been included in this report as at 31 December 2003, 2004 and 2005 at approximately HK\$166,251,000, HK\$135,989,000 and HK\$132,985,000, respectively.

(m) INVESTMENT PROPERTIES

ACB Group and ACB

	31 December		
	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000
Carrying amount at 1 January	14,177	14,177	15,640
Net profit from a fair value adjustment (<i>Section 3(b)</i>)	<u>–</u>	<u>1,463</u>	<u>6,020</u>
Carrying amount at 31 December	<u>14,177</u>	<u>15,640</u>	<u>21,660</u>

The investment properties were revalued as at 31 December 2003, 2004 and 2005 by independent professionally qualified valuers, A.G. Wilkinson & Associates, at HK\$14,177,000, HK\$15,640,000 and HK\$21,660,000 on an open market value, existing use basis. The investment properties are leased to third parties and to AFH under operating lease, further summary details of which are included in Section 4(w) to this report .

ACB Group's and ACB's investment properties are situated in Hong Kong and are held under medium term leases in Hong Kong.

(n) DEPOSITS AND BALANCES OF BANKS AND OTHER FINANCIAL INSTITUTIONS

The maturity profile of deposits and balance of banks and other financial institutions as at 31 December 2003, 2004 and 2005 was as follows:

ACB Group and ACB

	31 December		
	2003	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Repayable on demand	14,391	12,888	81,169
With a residual maturity of:			
Three months or less	292,686	563,822	832,836
One year or less but over three months	–	15,968	52,374
	<u>307,077</u>	<u>592,678</u>	<u>966,379</u>

(o) DEPOSITS FROM CUSTOMERS

	ACB Group			ACB		
	31 December			31 December		
	2003	2004	2005	2003	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Demand deposits and						
current accounts	894,103	883,523	588,805	928,546	923,958	635,869
Savings deposits	2,032,612	2,446,080	1,833,032	2,035,272	2,447,762	1,834,532
Time, call and notice deposits	6,744,239	7,447,140	9,103,072	6,778,739	7,484,740	9,142,572
	<u>9,670,954</u>	<u>10,776,743</u>	<u>11,524,909</u>	<u>9,742,557</u>	<u>10,856,460</u>	<u>11,612,973</u>

The maturity profile of deposits from customers as at 31 December 2003, 2004 and 2005 was as follows:

	ACB Group			ACB		
	31 December			31 December		
	2003	2004	2005	2003	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Repayable on demand	2,926,715	3,329,603	2,421,837	2,963,818	3,371,720	2,470,401
With a residual maturity of:						
Three months or less	6,030,552	6,655,433	8,682,477	6,065,052	6,693,033	8,721,977
One year or less						
but over three months	499,990	613,957	405,616	499,990	613,957	405,616
Five years or less						
but over one year	213,697	177,750	14,979	213,697	177,750	14,979
	<u>9,670,954</u>	<u>10,776,743</u>	<u>11,524,909</u>	<u>9,742,557</u>	<u>10,856,460</u>	<u>11,612,973</u>

(p) CERTIFICATES OF DEPOSIT ISSUED

The maturity profile of the certificates of deposit issued as at 31 December 2003, 2004 and 2005 was as follows:

ACB Group and ACB

	31 December		
	2003	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
With a residual maturity of:			
Three months or less	–	300,000	99,992
One year or less but over three months	588,028	320,028	404,726
Five years or less but over one year	605,000	405,000	918,733
	<u>1,193,028</u>	<u>1,025,028</u>	<u>1,423,451</u>

(q) OTHER LIABILITIES

	ACB Group			ACB		
	31 December			31 December		
	2003	2004	2005	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accrued interest payable	9,974	16,825	64,013	9,974	16,828	64,024
Bills payable	59,328	35,739	50,481	59,328	35,739	50,481
Creditors, accruals and others	121,919	99,456	156,402	136,985	80,116	135,455
Due to subsidiaries	–	–	–	98,100	113,290	123,549
	<u>191,221</u>	<u>152,020</u>	<u>270,896</u>	<u>304,387</u>	<u>245,973</u>	<u>373,509</u>

ACB Group's and ACB's accrued interest payable and bills payable were current in nature as at 31 December 2003, 2004 and 2005.

The amounts due to subsidiaries included in ACB's other liabilities are unsecured, interest-free and have no fixed terms of repayment.

The carrying amounts of other liabilities approximate their fair values.

(r) DEFERRED TAX

The movements in deferred tax liabilities and assets during each of the Relevant Period were as follows:

ACB Group*Deferred tax liabilities*

	Accelerated tax depreciation HK\$'000	Revaluation of buildings HK\$'000	Revaluation of investment properties HK\$'000	Total HK\$'000
At 1 January 2003	1,182	24,132	–	25,314
Deferred tax charged to the income statement during the year (Section 3(e))	689	–	–	689
Deferred tax debited to equity during the year due to the effect of a change in tax rate (Section 4(t))	–	2,220	–	2,220
	<u>–</u>	<u>2,220</u>	<u>–</u>	<u>2,220</u>

	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation of buildings <i>HK\$'000</i>	Revaluation of investment properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross deferred tax liabilities at 31 December 2003 and 1 January 2004	1,871	26,352	–	28,223
Deferred tax debited to equity during the year (<i>Section 4(t)</i>)	–	10,740	–	10,740
Gross deferred tax liabilities at 31 December 2004 and 1 January 2005	1,871	37,092	–	38,963
Deferred tax debited to equity during the year (<i>Section 4(t)</i>)	–	7,426	–	7,426
Deferred tax charged to the income statement during the year (<i>Section 3(e)</i>)	–	–	1,054	1,054
Gross deferred tax liabilities at 31 December 2005	<u>1,871</u>	<u>44,518</u>	<u>1,054</u>	<u>47,443</u>
<i>Deferred tax assets</i>				
	2003	2004	Collective impairment allowance	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>		<i>HK\$'000</i>
At 1 January	3,681	4,082		4,886
Deferred tax (charged)/credited to the income statement during the year (<i>Section 3(e)</i>)	401	804		(1,374)
Gross deferred tax assets at 31 December	<u>4,082</u>	<u>4,886</u>		<u>3,512</u>
Net deferred tax liabilities at 31 December	<u>24,141</u>	<u>34,077</u>		<u>43,931</u>

ACB

Deferred tax liabilities

	Accelerated tax depreciation	Revaluation of buildings	Revaluation of investment properties	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2003	1,100	20,111	–	21,211
Deferred tax charged to the income statement during the year	699	–	–	699
Deferred tax debited to equity during the year due to the effect of a change in tax rate (<i>Section 4(t)</i>)	–	1,843	–	1,843
Gross deferred tax liabilities at 31 December 2003 and 1 January 2004	1,799	21,954	–	23,753
Deferred tax debited to equity during the year (<i>Section 4(t)</i>)	–	8,995	–	8,995
Gross deferred tax liabilities at 31 December 2004 and 1 January 2005	1,799	30,949	–	32,748
Deferred tax debited to equity during the year (<i>Section 4(t)</i>)	–	6,778	–	6,778
Deferred tax charged to the income statement during the year	–	–	1,054	1,054
Gross deferred tax liabilities at 31 December 2005	<u>1,799</u>	<u>37,727</u>	<u>1,054</u>	<u>40,580</u>

Deferred tax assets

	2003	Collective impairment allowance 2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	3,015	4,082	4,886
Deferred tax (charged)/credited to the income statement during the year	1,067	804	(1,374)
Gross deferred tax assets at 31 December	4,082	4,886	3,512
Net deferred tax liabilities at 31 December	19,671	27,862	37,068

(s) SHARE CAPITAL

	2003	ACB 2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:			
10,000,000 ordinary shares of HK\$100 each	1,000,000	1,000,000	1,000,000
Issued and fully paid:			
8,100,000 ordinary shares of HK\$100 each	810,000	810,000	810,000

(t) RESERVES

Section	ACB Group 31 December			ACB 31 December		
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Other reserves:						
Share premium account:						
At beginning of year and balance sheet date	43,935	43,935	43,935	43,935	43,935	43,935
Group reconstruction reserve:						
At beginning of year and balance sheet date	3,065	3,065	3,065	-	-	-
General reserve:						
At beginning of year and balance sheet date	232,640	232,640	232,640	230,640	230,640	230,640
Capital reserve:						
At beginning of year and balance sheet date	17,660	17,660	17,660	3,660	3,660	3,660
Asset revaluation reserve:						
At beginning of year	126,879	124,659	175,739	105,770	103,927	146,779
Surplus on revaluation 4(l)	-	68,785	43,424	-	58,812	39,719
Revaluation reserve released on disposal of buildings	-	(6,965)	-	-	(6,965)	-
Deferred tax charge 4(r)	(2,220)	(10,740)	(7,426)	(1,843)	(8,995)	(6,778)
At balance sheet date	124,659	175,739	211,737	103,927	146,779	179,720
Total at beginning of year	424,179	421,959	473,039	384,005	382,162	425,014
Total at balance sheet date	421,959	473,039	509,037	382,162	425,014	457,955

Section	ACB Group			ACB		
	31 December			31 December		
	2003	2004	2005	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Retained profits:						
At beginning of year	416,274	432,989	482,448	350,941	364,557	407,795
Net profit for the year	56,000	104,864	86,592	52,901	98,643	79,005
Revaluation reserve released						
on disposal of buildings	–	6,965	–	–	6,965	–
Interim dividend 3(f)	(5,265)	(24,300)	(15,390)	(5,265)	(24,300)	(15,390)
Proposed final dividend 3(f)	(34,020)	(38,070)	(31,995)	(34,020)	(38,070)	(31,995)
At balance sheet date	432,989	482,448	521,655	364,557	407,795	439,415
Total reserves at balance sheet date	854,948	955,487	1,030,692	746,719	832,809	897,370

(u) LOANS TO DIRECTORS AND OFFICERS

Loans granted by ACB Group to directors and officers, disclosed pursuant to Section 161B(10) of the Companies Ordinance, are as follows:

	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000
Aggregate amount of principal and interest outstanding at end of year	2,770	3,349	740
Maximum aggregate amount of principal interest outstanding during the year	8,499	14,362	6,183

The loans to directors and officers are granted on essentially the same terms with those granted to other customers, and/or at prevailing market rates and have no fixed terms of repayment, apart from the loan to an officer as below, which is repayable on 25 December 2016.

Included in the above balance was a loan granted by ACB Group to an officer, which was secured by a property at a fair value of HK\$350,000 as at 31 December 2005.

(v) **OFF-BALANCE SHEET EXPOSURE**

(i) **Contingent liabilities and commitments**

The following is a summary of the contractual amount of each significant class of contingent liabilities and commitments of ACB Group and of ACB outstanding at 31 December 2003, 2004 and 2005:

ACB Group and ACB

	2003	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Direct credit substitutes	110,699	91,523	62,226
Transaction-related contingencies	533	3,094	1,629
Trade-related contingencies	242,958	167,587	210,134
Forward deposits placed	43,190	70,893	123,948
Forward asset purchases	89,373	37,839	13,029
Other commitments with an original maturity of:			
Under one year or which are unconditionally cancellable	3,284,135	3,620,359	3,195,382
One year and over	284,690	201,277	223,496
	<u>4,055,578</u>	<u>4,192,572</u>	<u>3,829,844</u>

- (ii) The aggregate replacement costs and credit risk weighted amount of the above off-balance sheet exposures are:

ACB Group and ACB

	Replacement costs 2003 HK\$'000	Replacement costs 2004 HK\$'000	Replacement costs 2005 HK\$'000	Credit risk weighted amount 2003 HK\$'000	Credit risk weighted amount 2004 HK\$'000	Credit risk weighted amount 2005 HK\$'000
Direct credit substitutes	-	-	-	38,843	67,748	46,209
Transaction-related contingencies	-	-	-	267	942	-
Trade-related contingencies	-	-	-	39,961	29,456	38,965
Forward deposits placed	-	-	-	8,638	14,179	24,790
Forward asset purchases	-	-	-	9,768	28,564	2,606
Other commitments with original maturity of one year and over	-	-	-	142,345	100,639	111,748
Foreign exchange rate contracts	8,026	9,622	4,775	5,738	8,976	17,557
Interest rate swap	-	-	-	-	-	150
	<u>8,026</u>	<u>9,622</u>	<u>4,775</u>	<u>245,560</u>	<u>250,504</u>	<u>242,025</u>

- (ii) ACB 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 are calculated in accordance with the Third Schedule of the Banking Ordinance and guidelines issued by the Hong Kong Monetary Authority. The amounts calculated are 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. Replacement cost represents the cost of replacing all contracts which have a positive value when marked to market.

(iii) Capital commitments

ACB Group's and ACB's capital commitments in respect of purchases of property, plant and equipment as at 31 December 2003, 2004 and 2005 were as follows:

	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Contracted, but not provided for	1,473	569	1,072
Authorised, but not contracted for	<u>2,655</u>	<u>5,485</u>	<u>9,008</u>
	<u>4,128</u>	<u>6,054</u>	<u>10,080</u>

(w) OPERATING LEASE ARRANGEMENTS**(i) As lessor**

ACB Group leases its investment properties (Section 4(m)) under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally also require the tenants to pay security deposits.

At 31 December 2003, 2004 and 2005, ACB Group and ACB had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within one year	1,138	724	1,191
In the second to fifth years, inclusive	271	321	88
	<u>1,409</u>	<u>1,045</u>	<u>1,279</u>

(ii) As lessee

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

At 31 December 2003, 2004 and 2005, ACB Group and ACB had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within one year	7,280	4,703	4,613
In the second to fifth years, inclusive	4,794	2,713	3,132
	<u>12,074</u>	<u>7,416</u>	<u>7,745</u>

(x) RELATED-PARTY TRANSACTIONS

ACB Group is controlled by AFH which owns 100% of the ordinary shares of ACB during the Relevant Period.

ACB has entered into a number of banking transactions with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. In addition to those disclosed elsewhere in this report, the details of related party transactions, related expenses and income for each of the Relevant Period and outstanding balances as at 31 December 2003, 2004 and 2005 are as follows:

		2003	2004	2005
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Related party transactions included in the income statement:				
Management fees to AFH	<i>(i)</i>	4,500	4,500	–
Rental income from AFH	<i>(ii)</i>	225	169	291
Interest paid to AFH	<i>(iii)</i>	–	–	75
Interest paid to fellow subsidiaries of AFH	<i>(iii)</i>	629	904	4,018
Interest paid to key management personnel	<i>(iii)</i>	493	735	2,575
Interest income from key management personnel	<i>(iv)</i>	66	78	104
Commission income from fellow subsidiaries of AFH	<i>(v)</i>	2,356	2,517	2,843
		<u>2,356</u>	<u>2,517</u>	<u>2,843</u>

Details of compensation for key management personnel, which are the directors of ACB Group, are included in Section 3(d) of this report.

		2003	2004	2005
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Related party transactions included in the assets and liabilities of ACB Group:				
Deposit from AFH	<i>(iii)</i>	628	1,231	1,333
Deposits from fellow subsidiaries of AFH	<i>(iii)</i>	177,540	554,553	354,431
Loan to key management personnel	<i>(iv)</i>	2,748	2,637	321
Interest payable to fellow subsidiaries	<i>(iii)</i>	28	219	577
Interest receivable from key management personnel	<i>(iv)</i>	8	2	11
Customer deposits from key management personnel	<i>(iii)</i>	67,889	80,982	102,171
Amount payable to AFH	<i>(vi)</i>	4,500	4,750	2,059
Amounts payable to fellow subsidiaries of AFH	<i>(vi)</i>	–	3,421	3,421
Amount receivable from AFH	<i>(vii)</i>	–	–	2,075
Amounts receivable from fellow subsidiaries of AFH	<i>(vi)</i>	–	8,183	3,808

Notes:

- (i) The management fees arose from administrative services provided by AFH to ACB Group in 2004. They were charged based on cost incurred by AFH during the Relevant Period. Management of AFH decided not to charge ACB Group the management fees for the year 2005.
- (ii) The rental income was derived from properties rented to AFH as its office. The related lease arrangement was renewed on 1 January 2005 for a term of two years at a monthly rental of approximately HK\$25,000.
- (iii) AFH, fellow subsidiaries, and key management personnel placed deposits with ACB Group at the prevailing market rates. Interest expense/payables were paid by ACB Group for the Relevant Period in respect of the placements. The balances were included in customer deposits in the balance sheet.
- (iv) Interest income was received for a mortgage loan granted to one of the directors of ACB Group.

- (v) The commission income was received from Asia Insurance Company, Limited, for referral of insurance business for the Relevant Period.
- (vi) The balances represented accounts receivable from/accounts payables to AFH and fellow subsidiaries for the sale/purchase of debt/equity investments, respectively, during the Relevant Period.
- (vii) The balance represented accounts receivable from AFH for the transfer of an unlisted available-for-sale security to AFH during the Relevant Period.

(y) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

ACB Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, convertible bonds, other interest-bearing loans, finance leases, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for ACB Group's operations. ACB Group has various other financial assets such as trade bills, held-to-maturity securities, loans and advances, available-for-sale securities and securities measured at fair value through profit and loss, which arise directly from its operations.

ACB Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from ACB Group's operations and its sources of finance.

It is, and has been, throughout the Relevant Period under review, ACB Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from ACB Group's financial instruments are interest rate risk, credit risk, liquidity risk, foreign currency risk and market risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. ACB Group's accounting policies in relation to derivatives are set out in Section 2 to this report.

Risk Management

ACB Group has established policies and procedures for the control and monitoring of credit, liquidity, capital, foreign currency, interest rate and market risks, which are reviewed regularly by ACB Group's management, Credit Committee and Asset and Liability Management Committee. The internal auditors of ACB Group also perform regular audits to ensure compliance with the policies and procedures.

Interest Rate Risk Management

Interest rate risk is the risk that ACB Group's position may be adversely affected by a change of market interest rates. ACB Group's interest rate risk arises primarily from the timing difference in the maturity and the repricing of ACB Group's interest bearing assets, liabilities and off-balance sheet commitments. The primary objective of interest rate risk management is to limit the potential adverse effects of interest rate movements in net interest income by closely monitoring the net repricing gap of ACB Group's assets and liabilities. The interest rate risk is managed by ACB Group's treasury department and monitored by management under limits approved by the directors.

The carrying amounts of ACB Group's financial instruments exposed to interest rate risk based on maturity or reprising as at 31 December 2003, 2004 and 2005 are detailed as follows:

2003

	One year or less	Over 1 year but not more than 2 years	Over 2 years but not more than 3 years	Over 3 years but not more than 4 years	Over 5 years	Non- interest bearing	Total
<u>Fixed rate financial assets</u>							
Cash and short-term funds	1,875,073	-	-	-	-	530,209	2,405,282
Derivative receivable	49,734	-	-	-	-	-	49,734
<u>Placements with banks and other financial institutions maturing</u>							
between one and twelve months	816,929	-	-	-	-	-	816,929
Loans and advances and other accounts	295,837	114,432	58,039	20,712	3,745	-	492,765
Available-for-sale securities	-	-	-	-	-	8,879	8,879
Certificates of deposit held	75,360	2,672	136,789	-	-	-	214,821
Held-to-maturity securities	418,807	97,799	189,529	-	149,104	-	855,239
	<u>3,531,740</u>	<u>214,903</u>	<u>384,357</u>	<u>20,712</u>	<u>152,849</u>	<u>539,088</u>	<u>4,843,649</u>
<u>Floating rate financial assets</u>							
Loans and advances and other accounts	3,632,137	331,894	311,225	286,675	2,365,765	38,370	6,966,066
Trade bills	82,420	-	-	-	-	-	82,420
Certificates of deposit held	189,795	-	276,494	-	37,262	-	503,551
Held-to-maturity securities	132,329	73,231	183,077	-	134,465	-	523,102
	<u>4,036,681</u>	<u>405,125</u>	<u>770,796</u>	<u>286,675</u>	<u>2,537,492</u>	<u>38,370</u>	<u>8,075,139</u>
<i>Less:</i>							
<u>Liabilities</u>							
<u>Fixed rate financial liabilities</u>							
<u>Deposits and balances of banks and other financial institutions</u>							
	292,686	-	-	-	-	14,391	307,077
Derivative payables	49,922	-	-	-	-	-	49,922
Deposits from customers	9,457,257	213,697	-	-	-	-	9,670,954
	<u>9,799,865</u>	<u>213,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,391</u>	<u>10,027,953</u>
<u>Floating and variable rate liabilities</u>							
Certificates of deposit issued	1,193,028	-	-	-	-	-	1,193,028
	<u>1,193,028</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,193,028</u>
Total interest sensitivity gap	<u>(3,424,472)</u>	<u>406,331</u>	<u>1,155,153</u>	<u>307,387</u>	<u>2,690,341</u>	<u>563,067</u>	<u>1,697,807</u>

2004

	Over 1 year but not more than 2 years or less	Over 2 years but not more than 3 years	Over 3 years but not more than 4 years	Over 5 years	Non- interest bearing	Total
<u>Fixed rate financial assets</u>						
Cash and short-term funds	1,944,410	-	-	-	159,629	2,104,039
Derivative receivables	59,087	-	-	-	-	59,087
Placements with banks and other financial institutions maturing between one and twelve months	830,333	-	-	-	-	830,333
Loans and advances and other accounts	494,607	139,791	74,503	32,488	3,992	816,447
Available-for-sale securities	-	-	-	-	8,879	8,879
Certificates of deposit held	436,897	171,289	78,000	-	-	686,186
Held-to-maturity securities	674,056	116,838	413,137	240,560	-	1,444,591
	<u>4,439,390</u>	<u>427,918</u>	<u>565,640</u>	<u>311,626</u>	<u>172,500</u>	<u>5,949,562</u>
<u>Floating rate financial assets</u>						
Loans and advances and other accounts	7,075,760	-	-	-	200,951	7,276,711
Trade bills	54,202	-	-	-	-	54,202
Certificates of deposit held	303,788	-	-	-	-	303,788
Held-to-maturity securities	497,374	-	-	-	-	497,374
	<u>7,931,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,951</u>	<u>8,132,075</u>
<i>Less:</i>						
<u>Liabilities</u>						
<u>Fixed rate financial liabilities</u>						
Deposits and balances of banks and other financial institutions	579,790	-	-	-	12,888	592,678
Derivative payables	57,669	-	-	-	-	57,669
Deposits from customers	10,598,993	177,667	83	-	-	10,776,743
	<u>11,236,452</u>	<u>177,667</u>	<u>83</u>	<u>-</u>	<u>12,888</u>	<u>11,427,090</u>
<u>Floating and variable rate liabilities</u>						
Certificates of deposit issued	1,025,028	-	-	-	-	1,025,028
	<u>109,034</u>	<u>250,251</u>	<u>565,557</u>	<u>32,488</u>	<u>311,626</u>	<u>1,629,519</u>

2005

	Over 1 year but not more than 2 years or less	Over 2 years but not more than 3 years	Over 3 years but not more than 4 years	Over 5 years	Non- interest bearing	Total	
<u>Fixed rate financial assets</u>							
Cash and short-term funds	2,161,576	-	-	-	205,062	2,366,638	
Derivative receivables	46,525	1,330	-	-	-	47,855	
Placements with banks and other financial institutions maturing between one and twelve months	361,675	-	-	-	-	361,675	
Loans and advances and other accounts	438,981	137,923	72,429	30,123	22,336	8,876	710,668
Available-for-sale securities	-	-	-	-	-	6,804	6,804
Certificates of deposit held	235,463	117,352	-	-	19,388	-	372,203
Held-to-maturity securities	589,545	320,888	140,985	181,094	530,037	-	1,762,549
	<u>3,833,765</u>	<u>577,493</u>	<u>213,414</u>	<u>211,217</u>	<u>571,761</u>	<u>220,742</u>	<u>5,628,392</u>
<u>Floating rate financial assets</u>							
Loans and advances and other accounts	8,271,622	-	-	-	-	342,345	8,613,967
Trade bills	35,056	-	-	-	-	-	35,056
Certificates of deposit held	200,118	-	-	-	-	-	200,118
Held-to-maturity securities	1,244,181	-	-	-	-	-	1,244,181
	<u>9,750,977</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>342,345</u>	<u>10,093,322</u>
<i>Less:</i>							
<u>Liabilities</u>							
<u>Fixed rate financial liabilities</u>							
Deposits and balances of banks and other financial institutions	966,379	-	-	-	-	-	966,379
Derivative payables	52,928	-	-	-	-	-	52,928
Deposits from customers	11,509,930	14,861	118	-	-	-	11,524,909
Certificates of deposit issued	-	149,997	-	-	-	-	149,997
	<u>12,529,237</u>	<u>164,858</u>	<u>118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,694,213</u>
<u>Floating rate liabilities</u>							
Derivative payables	1,596	-	-	-	-	-	1,596
Certificates of deposit issued	1,273,454	-	-	-	-	-	1,273,454
	<u>1,275,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,275,050</u>
Total interest sensitivity gap	<u>(219,545)</u>	<u>412,635</u>	<u>213,296</u>	<u>211,217</u>	<u>571,761</u>	<u>563,087</u>	<u>1,752,451</u>

The table below summarises the effective average interest rates at 31 December 2003, 2004 and 2005 for monetary financial instruments:

	2003	2004	2005
	<i>Rate (%)</i>	<i>Rate (%)</i>	<i>Rate (%)</i>
Assets			
Placements with banks and other financial institutions	2.11	2.50	3.79
Loans and advances (including trade bills)	3.55	3.30	4.38
Held-to-maturity securities	2.11	2.13	3.23
Liabilities			
Deposits and balances of banks and other financial institutions	1.22	1.12	3.03
Deposits from customers	1.16	1.11	2.61
Certificates of deposits issued	1.72	0.85	3.08

Credit Risk Management

Credit risk is the risk that a customer or counterparty in a transaction may default. It arises from the lending, trade finance, treasury and other activities undertaken by ACB Group.

ACB Group has a credit risk management process to measure, monitor and control credit risk. Its Credit Policy Manual defines the credit extension and measurement criteria, the credit review, approval and monitoring processes, and the loan classification and provisioning systems. It has a hierarchy of credit authority which approves credit in compliance with ACB Group's credit policy; exposures are monitored against credit limits and other control limits (such as large exposures and concentration limits); segregation of duties in key credit functions is in place to ensure separate credit control and monitoring; management and recovery of problem credits is handled by an independent work-out team.

ACB Group manages its credit risk within a conservative framework. Its credit policy is regularly revised, taking into account factors such as prevailing business and economic conditions, regulatory requirements and its capital resources.

Credit and compliance audits are periodically held to evaluate the effectiveness of the credit review, approval and monitoring processes and to test the compliance of the established credit policies and procedures.

Liquidity Risk Management

Liquidity risk is the risk that ACB Group cannot meet its current obligation. To manage liquidity risk, ACB Group has established the liquidity management policy which is reviewed by management and approved by the directors. ACB Group measures the liquidity of ACB Group using the statutory liquidity ratio, loan-to-deposit ratio and maturity mismatch portfolio.

The Asset and Liability Management Committee of ACB Group closely monitors the liquidity of ACB Group on a periodic basis to ensure that the liquidity structure of ACB Group's assets, liabilities and commitments can meet its funding needs and that the statutory liquidity ratio is always complied with.

Standby facilities are maintained to provide strategic liquidity to meet unexpected, material cash outflows in the ordinary course of business.

Capital Management

ACB Group's policy is to maintain a strong capital base to support the development of ACB Group's businesses and to meet the statutory capital adequacy ratio and other regulatory capital requirements. Capital is allocated to the various activities of ACB Group depending on the risk taken by each business division and in accordance with the requirements of relevant regulatory bodies.

Foreign Currency Risk Management

Foreign currency risk is the risk that the holding of foreign currencies will affect ACB Group's position as a result of a change in foreign currency exchange rates. ACB Group's foreign exchange risk positions arise from foreign exchange dealing, commercial banking operations and structural foreign currency exposures. All foreign exchange positions are managed by ACB Group's treasury department within limits approved by the directors.

Market Risk Management

Market risk is the risk to ACB Group's earnings and capital due to changes in the market level of interest rates, securities, foreign exchange and equities as well as the volatilities of those prices.

ACB Group monitors market risk principally by limits established for transactions and open positions. These limits are reviewed and approved by the directors and are monitored on a daily basis.

ACB Group does not actively trade in financial instruments and in the opinion of the directors, the market risk related to trading activities to which ACB Group is exposed is not material. Accordingly, no quantitative market risk disclosures have been prepared.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the balance sheet date, or date close to 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 use of recent arm's-length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

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.

Use of derivatives

Being a financial institution, ACB Group will employ derivatives during the course of running its ordinary banking businesses. These derivatives can be either exchange-traded or over-the-counter including interest rate futures, interest rate swaps and options. Before engaging in any such products and instruments, ACB Group will conduct thorough study and evaluation on both its risk and necessity affecting ACB Group's operation. In this respect, ACB Group will consider those over-the-counter derivatives, e.g., options and interest rate swaps, as solely for hedging purposes. While for the exchange-traded instruments, ACB Group will impose appropriate trading limits together with a daily mark-to-market revaluation process. ACB Group will monitor closely these derivative positions in order to achieve a stable and commensurable contribution to ACB Group's revenue.

(z) LITIGATION

A claim for approximately HK\$16 million was brought against a subsidiary of ACB in 2000 by a client (the "Plaintiff") alleging that the subsidiary is liable for compensation on a loss of profit suffered by the Plaintiff in a transaction happened in 1997 (the "Claim").

The directors do not expect the above litigation to have any significant impact on ACB Group as, following the transfer of the entire equity interests in the subsidiary from a fellow subsidiary of AFH (the "Former Holding Company") to ACB during the year ended 31 December 2002, the Former Holding Company has given a guarantee to ACB on the above litigation to the extent of HK\$16 million. Subsequent to the balance sheet date on or about 21 April 2006, the subsidiary of ACB and the Plaintiff have agreed terms of settlement. Further details of the above litigation are set out in Appendix VI to the Circular under the section headed "Litigation".

5. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The consolidated statements of changes in equity of ACB Group for each of the Relevant Period prepared on the basis as set out in Section 1 above are as follows:

		2003	2004	2005
	<i>Section</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total equity at 1 January		1,662,603	1,698,968	1,803,557
Surplus on revaluation of leasehold buildings	4(l), 4(t)	–	68,785	43,424
Deferred tax debited to equity	4(t)	(2,220)	(10,740)	(7,426)
Net gains/(losses) not recognised in the income statement		(2,220)	58,045	35,998
Profit for the year		56,000	104,864	86,592
Dividends:	3(f)			
Final 2002 dividend declared		(12,150)		
Interim 2003 dividend		(5,265)		
Final 2003 dividend declared		–	(34,020)	–
Interim 2004 dividend		–	(24,300)	–
Final 2004 dividend declared		–	–	(38,070)
Interim 2005 dividend		–	–	(15,390)
Total equity at 31 December		<u>1,698,968</u>	<u>1,803,557</u>	<u>1,872,687</u>

The consolidated shareholders' equity includes the issued share capital of HK\$810,000,000 as at 31 December 2003, 2004 and 2005 and consolidated reserves of HK\$421,959,000, HK\$473,039,000 and HK\$509,037,000 as at 31 December 2003, 2004 and 2005 respectively as set out in Section 4(s) and 4(t), respectively, retained profits of HK\$432,989,000, HK\$482,448,000 and HK\$521,655,000 and a proposed final dividend amounting to HK\$34,020,000, HK\$38,070,000 and HK\$31,995,000 as at 31 December 2003, 2004 and 2005, respectively.

In accordance with the Hong Kong Monetary Authority's guideline "Impact of the New Hong Kong Accounting Standards on Authorised Institutions' Capital Base and Regulatory Reserve" (the "Guideline"), retained profits of HK\$66,136,000 are earmarked as a regulatory reserve which, together with ACB's collective impairment allowances, is included as supplementary capital in ACB Group's capital base as at 31 December 2005 as defined in the Guideline.

6. CONSOLIDATED CASH FLOW STATEMENTS

The consolidated cash flow statements of ACB Group for the Relevant Period prepared on the basis as set out in Section 1 above are as follows:

		2003	2004	2005
	<i>Section</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CASH FLOWS FROM				
OPERATING ACTIVITIES				
Profit before tax		68,149	125,751	106,332
Adjustments for:				
Dividend income from				
listed investments	<i>3(a)</i>	–	(189)	(361)
Dividend income from				
unlisted investments	<i>3(a)</i>	(780)	(2,315)	(999)
Depreciation charges	<i>3(b)</i>	19,940	17,867	15,697
Fair value gains on				
revaluation of leasehold				
buildings	<i>3(b)</i>	–	(4,771)	(1,499)
Fair value gains on				
revaluation of				
investment properties	<i>3(b)</i>	–	(1,463)	(6,020)
Write-off property, plant				
and equipment	<i>3(b)</i>	79	311	20
Amortisation of intangible assets	<i>3(b)</i>	144	56	56
Impairment of intangible assets	<i>3(b)</i>	–	88	88
Impairment allowances on loans				
and advances and other accounts		21,500	26,398	55,283
Release back on impairment				
allowances on trade bills		–	(177)	(431)
Gains less losses from				
disposal of property, plant				
and equipment		–	(2,980)	–
Impairment allowance against loans				
to jointly-controlled entities		8,340	2,500	–
Write-back of impairment				
allowance against a loan to				
a jointly-controlled entity		–	(4,433)	(3,500)
Gain on disposal of				
a jointly-controlled entity		–	(2,990)	–
Share of results of				
a jointly-controlled entity		–	(2,400)	(1,900)

APPENDIX II**ACCOUNTANTS' REPORT ON ACB**

	2003	2004	2005
<i>Section</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit before changes in operating assets and liabilities	117,372	151,253	162,766
Decrease/(increase) in operating assets:			
Decrease in money at call and short notice	33,063	108,895	216,252
Decrease/(increase) in treasury bills including Exchange Fund Bills	(20,133)	(19,903)	10,417
Decrease/(increase) in placements with banks and other financial Institutions	(227,900)	(14,265)	566,411
Decrease in trade bills	20,133	28,913	19,146
Increase in securities measured at fair value through profit or loss	(21,287)	(35,236)	(9,497)
Decrease/(increase) in loan and advances and other account	383,371	(638,656)	(1,172,754)
Increase in held-to-maturity securities	(1,013,086)	(835,226)	(647,112)
Decrease in available-for-sale securities	–	–	2,075
Decrease/(increase) in derivative receivables	(49,734)	(9,353)	11,232
Increase/(decrease) in operating liabilities:			
Increase/(decrease) in deposits and balances of banks and other financial institutions	(108,751)	285,601	373,701
Increase/(decrease) in deposits from customers	(108,052)	1,105,789	748,166
Increase/(decrease) in certificates of deposit issued	18,000	(168,000)	398,423
Increase/(decrease) in other liabilities	(7,262)	(39,201)	118,876
Increase/(decrease) in derivative payables	49,922	7,747	(3,145)

APPENDIX II**ACCOUNTANTS' REPORT ON ACB**

		2003	2004	2005
	<i>Section</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from/(used in) operating activities before tax		(934,344)	(71,642)	794,957
Hong Kong profits tax paid		(8,062)	(13,841)	(30,420)
Overseas tax paid		(668)	(950)	(1,025)
		<u> </u>	<u> </u>	<u> </u>
Net cash generated from/(used in) operating activities		(943,074)	(86,433)	763,512
		<u> </u>	<u> </u>	<u> </u>
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		(943,074)	(86,433)	763,512
		<u> </u>	<u> </u>	<u> </u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment	4(l)	(9,818)	(11,062)	(4,247)
Proceeds from disposal of a jointly-controlled entity		–	3,990	–
Proceeds from disposal of property, plant and equipment		56	9,419	–
Dividends received from investments		780	2,504	1,360
Repayment of loan to a jointly-controlled entity		795	630	–
		<u> </u>	<u> </u>	<u> </u>
Net cash from/(used in) investing activities		(8,187)	5,481	(2,887)
		<u> </u>	<u> </u>	<u> </u>
CASH FLOWS FROM FINANCING ACTIVITY				
Dividends paid		(17,415)	(58,320)	(53,460)
		<u> </u>	<u> </u>	<u> </u>
Net cash used in financing activity		(17,415)	(58,320)	(53,460)
		<u> </u>	<u> </u>	<u> </u>

APPENDIX II**ACCOUNTANTS' REPORT ON ACB**

	2003	2004	2005
<i>Section</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(968,676)	(139,272)	707,165
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,944,512</u>	<u>1,975,836</u>	<u>1,836,564</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>1,975,836</u></u>	<u><u>1,836,564</u></u>	<u><u>2,543,729</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and balances with banks and other financial institutions	425,686	321,304	204,882
Money at call and short notice with original maturity within three months	1,443,377	1,335,508	1,941,198
Placements with banks and other financial institutions with original maturity within three months	48,128	47,267	145,020
Held-to-maturity securities with original maturity within three months	<u>58,645</u>	<u>132,485</u>	<u>252,629</u>
	<u><u>1,975,836</u></u>	<u><u>1,836,564</u></u>	<u><u>2,543,729</u></u>

7. SEGMENT INFORMATION**(a) By geographical areas**

ACB Group operates predominantly in Hong Kong. The geographical analysis is based on the location of the principal operations of ACB, its subsidiaries and branches responsible for reporting the results or booking the assets.

During the Relevant Period, over 90% of ACB Group's total operating income (net of interest expense), profit before tax, total assets, total liabilities, contingent liabilities and commitments were derived from the operation of banking business in Hong Kong.

In addition, over 90% of ACB Group's gross advance to customers, overdue and impaired loans and other types of credit exposures, including those arising from off-balance sheet transactions, as at 31 December 2003, 2004 and 2005 were located in Hong Kong, after taking into account the transfer of risk in respect of such advances, where appropriate.

(b) By classes of business

ACB Group comprises the following main business segments:

Retail and commercial banking includes deposit account services, wealth management services, the extension of mortgages and consumer lending, hire purchase and leasing, provision of services and financing activities for customers in trading, manufacturing and various business sectors.

Treasury and other activities include treasury business, securities trading and stockbroking. Treasury business includes foreign exchange activities, centralised cash management for deposit taking and lending, interest rate risk management, management of investment in securities and the overall funding management of ACB Group.

Unallocated items mainly comprise the central management unit, bank premises and any items which cannot be reasonably allocated to specific business segments.

Year 2003

	Retail and commercial banking	Treasury and other activities	Unallocated	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from				
– external customers	250,700	109,264	–	359,964
– other segments	87,069	19,203	160,789	267,061
	<u>337,769</u>	<u>128,467</u>	<u>160,789</u>	<u>627,025</u>
Interest expense to				
– external customers	(88,212)	(22,976)	(22,336)	(133,524)
– other segments	(80,214)	(80,575)	(106,272)	(267,061)
	<u>(168,426)</u>	<u>(103,551)</u>	<u>(128,608)</u>	<u>(400,585)</u>
Net interest income	169,343	24,916	32,181	226,440
Other operating income	31,445	23,401	2,992	57,838
Operating expenses	(88,413)	(12,788)	(85,088)	(186,289)
Impairment losses and allowances	(32,577)	7,147	3,930	(21,500)
Impairment allowance against loans to jointly-controlled entities	–	–	(8,340)	(8,340)
Profit/(loss) before tax	<u>79,798</u>	<u>42,676</u>	<u>(54,325)</u>	<u>68,149</u>

Year 2004

	Retail and commercial banking <i>HK\$'000</i>	Treasury and other activities <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Interest income from				
– external customers	240,355	130,658	–	371,013
– other segments	103,094	8,083	135,349	246,526
	<u>343,449</u>	<u>138,741</u>	<u>135,349</u>	<u>617,539</u>
Interest expense to				
– external customers	(98,994)	(16,281)	(9,805)	(125,080)
– other segments	(54,123)	(81,226)	(111,177)	(246,526)
	<u>(153,117)</u>	<u>(97,507)</u>	<u>(120,982)</u>	<u>(371,606)</u>
Net interest income	190,332	41,234	14,367	245,933
Other operating income	34,464	30,132	3,011	67,607
Operating expenses	(81,988)	(9,932)	(79,951)	(171,871)
Impairment losses and allowances	(20,700)	142	(5,663)	(26,221)
Impairment allowance against loans to jointly-controlled entities	–	–	(2,500)	(2,500)
Write-back of impairment allowance against a loan to a jointly-controlled entity	–	–	4,433	4,433
Gain on disposal of a jointly-controlled entity	–	–	2,990	2,990
Gains less losses from disposal of property, plant and equipment	–	–	2,980	2,980
Share of profits and losses of a jointly-controlled entity	–	–	2,400	2,400
Profit/(loss) before tax	<u>122,108</u>	<u>61,576</u>	<u>(57,933)</u>	<u>125,751</u>

Year 2005

	Retail and commercial banking <i>HK\$'000</i>	Treasury and other activities <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Interest income from				
– external customers	370,889	244,023	–	614,912
– other segments	261,680	27,078	463,988	752,746
	<u>632,569</u>	<u>271,101</u>	<u>463,988</u>	<u>1,367,658</u>
Interest expense to				
– external customers	(264,073)	(75,048)	(35,939)	(375,060)
– other segments	(274,007)	(189,981)	(288,758)	(752,746)
	<u>(538,080)</u>	<u>(265,029)</u>	<u>(324,697)</u>	<u>(1,127,806)</u>
Net interest income	94,489	6,072	139,291	239,852
Other operating income	31,248	40,405	3,490	75,143
Operating expenses	(72,352)	(9,408)	(77,451)	(159,211)
Impairment losses and allowances	(62,156)	522	6,782	(54,852)
Write-back of impairment allowance against a loan to a jointly-controlled entity	–	–	3,500	3,500
Share of profits and losses of a jointly-controlled entity	–	–	1,900	1,900
Profit/(loss) before tax	<u>(8,771)</u>	<u>37,591</u>	<u>77,512</u>	<u>106,332</u>

8. SUBSEQUENT EVENTS

The following significant post balance sheet events have occurred subsequent to 31 December 2005:

- (a) On 14 February 2006, a share purchase agreement (the "Share Purchase Agreement") was entered into between the Company and AFH. Pursuant to the Share Purchase Agreement, the Company shall acquire the entire 8,100,000 issued and fully paid ordinary shares of HK\$100 each in the share capital of ACB for and at a cash consideration of HK\$4,499,550,000 (subject to potential adjustments), which is still pending completion at the date of this report. Further details of the Acquisition are set out in a joint announcement made by the Company and AFH on 15 February 2006 and the Circular.
- (b) On 28 February 2006, ACB disposed of its entire equity interest in Bank Consortium Holding Limited, a jointly-controlled entity, with nil carrying value and assigned a loan with carrying value of approximately HK\$30 million to AFH at cash considerations of HK\$1 and approximately HK\$31 million, respectively. A gain of approximately HK\$1 million is resulted from the above disposal and assignment transaction.
- (c) On 10 April 2006, ACB disposed of its entire equity interest in Hong Kong Life Insurance Limited, a jointly-controlled entity, to AFH at a cash consideration of approximately HK\$19.6 million which is equivalent to its carrying value as recorded in ACB Group's financial records. Consequently, there is no material gain or loss arising from the above disposal transaction.
- (d) On or about 21 April 2006, the subsidiary of ACB agreed terms of settlement regarding the Claim with the Plaintiff as detailed in section 4(z) of the Accountants' Report on ACB. Further details regarding the litigation are set out in Appendix VI to the Circular under the section headed "Litigation".

9. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of ACB or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2005.

Yours faithfully,
ERNST & YOUNG
Certified Public Accountants
Hong Kong

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION**(i) Basis of the preparation of the unaudited pro forma financial information on the Enlarged Group**

The information set out below is for illustrative purpose only and does not form part of the accountants' report prepared by the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, as set out in Appendix II to this circular.

To provide additional financial information, the unaudited pro forma financial information of the Enlarged Group as at 31 December 2005 have been prepared based on:

- (i) the audited financial information of ACB Group as at 31 December 2005 which have been extracted from Appendix II to this circular;
- (ii) the historical audited financial information of the Group as set out on page 14 to 93 to this circular; and
- (iii) after taking into account of the unaudited pro forma adjustments as described in the notes thereto to demonstrate the effect of the Acquisition and the financing arrangements for the Acquisition might have affected the historical financial information in respect of the Group as if the Acquisition had taken place on 31 December 2005.

The unaudited pro forma financial information of the Enlarged Group presented below does not purport to present what the consolidated income statement, consolidated balance sheet and consolidated cash flow statement would actually have been if the Acquisition had taken place on 31 December 2005 or to project the financial information for any future period and are included for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the financial information contained in this circular and the "Accountants' Report on ACB" set out in Appendix II to this circular.

The unaudited pro forma financial information below has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 31 December 2005 or at any future date.

(ii) **Unaudited pro forma consolidated balance sheet of the Enlarged Group as at 31 December 2005 as if the Acquisition had been completed on 31 December 2005**

	The Group as at 31 December 2005 HK\$'000	ACB Group as at 31 December 2005 HK\$'000	Unaudited pro forma adjustments HK\$'000	Notes	Unaudited pro forma consolidation adjustments HK\$'000	Notes	Unaudited pro forma consolidated balance sheet of the Enlarged Group as at 31 December 2005 HK\$'000
Assets							
Cash and short term placements	453,009	2,366,638	4,500,000	2			2,865,697
			(4,504,550)	3			
			31,000	5			
			19,600	6			
Placements with banks and financial institutions maturing between one and twelve months	5,000	361,675					366,675
Trade bills	-	34,969					34,969
Securities measured at fair value through profit or loss	-	66,020					66,020
Derivative receivables	-	47,855					47,855
Loans and advances and receivables	3,512,255	9,233,938					12,746,193
Available-for-sale security investments	25,881	6,804					32,685
Held-to-maturity securities	-	3,579,051					3,579,051
Loan to a jointly-controlled entity	-	30,000	(31,000)	5	1,000	5	-
Inventories of taxi licences	26,988	-					26,988
Investment properties	147,987	21,660					169,647
Property, plant and equipment	21,336	386,468					407,804
Land lease prepayments	233,568	-					233,568
Investment in subsidiaries	-	-	4,504,550	3	(4,504,550)	7, 8	-
Interests in jointly-controlled entities	-	21,100	(19,600)	6			1,500
Deferred tax assets	2,854	-					2,854
Other assets	34,418	-					34,418
Intangible assets	126	599					725
Goodwill	-	-			2,630,863	7, 8	2,630,863
Total assets	4,463,422	16,156,777	4,500,000		(1,872,687)		23,247,512

	The	ACB Group	Unaudited		Unaudited	Unaudited
	Group as at	as at	pro forma		pro forma	of the Enlarged
	31 December	31 December	adjustments		consolidation	Group as at
	2005	2005			adjustments	31 December
	HK\$'000	HK\$'000	HK\$'000	Notes	HK\$'000	2005
					Notes	HK\$'000
Equity and Liabilities						
Liabilities						
Deposits and balances of banks and other financial institutions	-	966,379				966,379
Interest bearing borrowings	-	-	4,500,000	2		1,839,685
			(2,660,315)	1,4		
Derivative payables	-	54,524				54,524
Customer deposits	1,641,978	11,524,909				13,166,887
Certificates of deposit issued	-	1,423,451				1,423,451
Declared dividend	291,706	-				291,706
Current tax payable	31,555	-				31,555
Deferred tax payable	13,410	43,931				57,341
Other liabilities	91,339	270,896				362,235
Total liabilities	2,069,988	14,284,090	1,839,685			18,193,763
Equity						
Share capital	72,926	810,000	36,463	1	(810,000)	109,389
Reserves	2,320,508	1,062,687	2,623,852	1	(1,062,687)	4,944,360
Total equity	2,393,434	1,872,687	2,660,315	1,4	(1,872,687)	5,053,749
Total equity and liabilities	4,463,422	16,156,777	4,500,000		(1,872,687)	23,247,512

(iii) **Unaudited pro forma consolidated income statement of the Enlarged Group for the year ended 31 December 2005 as if the Acquisition had been completed on 31 December 2005**

	The Group for the year ended 31 December 2005 <i>HK\$'000</i>	ACB Group for the year ended 31 December 2005 <i>HK\$'000</i>	Unaudited pro forma adjustments <i>HK\$'000</i>	Notes	Unaudited pro forma consolidation adjustments <i>HK\$'000</i>	Notes	Unaudited pro forma consolidated income statement of the Enlarged Group for the year ended 31 December 2005 <i>HK\$'000</i>
Interest income	802,660	614,912					1,417,572
Interest expense	(36,613)	(375,060)					(411,673)
Net Interest income	766,047	239,852					1,005,899
Other operating income	134,180	75,143					209,323
Operating income	900,227	314,995					1,215,222
Operating expenses	(211,587)	(159,211)					(370,798)
Operating profit before impairment loss and allowances	688,640	155,784					844,424
Impairment loss and allowances for impaired financial assets	(158,751)	(54,852)					(213,603)
Write-back of impairment allowance against a loan to a jointly-controlled entity	-	3,500					3,500
Share of profits and losses of a jointly-controlled entity	-	1,900					1,900
Profit before tax	529,889	106,332					636,221
Tax	(83,592)	(19,740)					(103,332)
Profit for the year	446,297	86,592					532,889

(iv) **Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2005 as if the Acquisition had been completed on 31 December 2005**

	The Group for the year ended 31 December 2005 <i>HK\$'000</i>	ACB Group for the year ended 31 December 2005 <i>HK\$'000</i>	Unaudited pro forma adjustments <i>HK\$'000</i>	Notes	Unaudited pro forma consolidation adjustments <i>HK\$'000</i>	Notes	Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2005 <i>HK\$'000</i>
Profit before tax	529,889	106,332					636,221
Adjustment for:							
Employee share option benefits	45,765	-					45,765
Depreciation and amortisation of land lease prepayment	5,100	15,697					20,797
Amortisation of intangible assets	-	56					56
Impairment of intangible assets	-	88					88
Impairment allowance on loans and advances and other accounts	-	55,283					55,283
Release of impairment allowances on trade bills	-	(431)					(431)
Reversal of impairment loss on land lease prepayments	(3,514)	-					(3,514)
Loss on disposal of property, plant and equipment	30	-					30
Write-off of property, plant and equipment	-	20					20
Write-back of impairment allowance against a loan to a jointly-controlled entity	-	(3,500)					(3,500)
Share of profits and losses of jointly-controlled entities	-	(1,900)					(1,900)
Decrease in impairment loss and allowance for advance to customers and receivables	(3,071)	-					(3,071)
Dividends from an available-for-sale security investment	(773)	-					(773)
Dividend income from listed investments	-	(361)					(361)
Dividend income from unlisted investments	-	(999)					(999)
Amortisation and write-off of commission expenses	133	-					133

	The Group for the year ended 31 December 2005 HK\$'000	ACB Group for the year ended 31 December 2005 HK\$'000	Unaudited pro forma adjustments HK\$'000	Notes	Unaudited pro forma consolidation adjustments HK\$'000	Notes	Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2005 HK\$'000
Increase in fair value of investment properties	(30,160)	(6,020)					(36,180)
Increase in fair value of leasehold buildings	-	(1,499)					(1,499)
Decrease in money at call and short notice	-	216,252					216,252
Decrease in treasury bills including Exchange Fund Bills	-	10,417					10,417
Decrease in placements with banks and other financial institutions	-	566,411					566,411
Decrease in trade bills	-	19,146					19,146
Increase in securities measured at fair value through profit or loss	-	(9,497)					(9,497)
Decrease in derivative receivables	-	11,232					11,232
Increase in loans and advances and other accounts	-	(1,172,754)					(1,172,754)
Increase in other debtors, deposits, prepayments and interest receivables from bank	(23,969)	-					(23,969)
Decrease in available-for-sale securities	-	2,075					2,075
Increase in held-to-maturity securities	-	(647,112)					(647,112)
Increase in creditors, accruals and interest payable	19,106	-					19,106
Decrease in provision for long service payments	(262)	-					(262)
Decrease in an amount due to the ultimate holding company	(56)	-					(56)
Decrease in inventories	2,661	-					2,661
Hong Kong profits tax paid	(88,855)	(30,420)					(119,275)
Overseas tax paid	-	(1,025)					(1,025)
	452,024	(872,509)					(420,485)
(Decrease)/increase in customer deposits	(78,403)	748,166					669,763

	The Group for the year ended 31 December 2005 <i>HK\$'000</i>	ACB Group for the year ended 31 December 2005 <i>HK\$'000</i>	Unaudited pro forma adjustments <i>HK\$'000</i>	Notes	Unaudited pro forma consolidation adjustments <i>HK\$'000</i>	Notes	Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2005 <i>HK\$'000</i>
Increase in deposits and balances of banks and other financial institutions	-	373,701					373,701
Increase in certificates of deposit issued	-	398,423					398,423
Increase in other liabilities	-	118,876					118,876
Decrease in derivative payables	-	(3,145)					(3,145)
Increase in loan and advances and receivables	(328,911)	-					(328,911)
Net cash flows from operating activities	44,710	763,512					808,222

	The Group for the year ended 31 December 2005 <i>HK\$'000</i>	ACB Group for the year ended 31 December 2005 <i>HK\$'000</i>	Unaudited pro forma adjustments <i>HK\$'000</i>	Notes	Unaudited pro forma consolidation adjustments <i>HK\$'000</i>	Notes	Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2005 <i>HK\$'000</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	44,710	763,512					808,222
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchases of property, plant and equipment	(1,793)	(4,247)					(6,040)
Consideration payable for the acquisition of entire issued equity in ACB			(4,499,550)	3			(4,499,550)
Professional cost directly related to the acquisition of ACB Group	–	–	(5,000)	3			(5,000)
Proceeds from disposal of a jointly-controlled entity	–	–	19,600	6			19,600
Proceeds from assumption of loan to BCH by AFH	–	–	31,000	5			31,000
Proceeds from sale of property, plant and equipment	5	–					5
Dividends from an available-for-sale security investment	773	–					773
Dividends received from investments	–	1,360					1,360
Net cash used in investing activities	(1,015)	(2,887)	(4,453,950)				(4,457,852)

	The Group for the year ended 31 December 2005 <i>HK\$'000</i>	ACB Group for the year ended 31 December 2005 <i>HK\$'000</i>	Unaudited pro forma adjustments <i>HK\$'000</i>	Notes	Unaudited pro forma consolidation adjustments <i>HK\$'000</i>	Notes	Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2005 <i>HK\$'000</i>
CASH FLOWS FROM FINANCING ACTIVITIES							
Shares issued on exercise of share options, net of expenses	156,736	-					156,736
Short-term bridging loan	-	-	1,839,685	2			1,839,685
Proceeds from rights issue of shares, net of expenses			2,660,315	1			2,660,315
Dividends paid on shares	(538,346)	(53,460)					(591,806)
Net cash (used in)/from financing activities	(381,610)	(53,460)	4,500,000				4,064,930
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS							
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	795,924	1,836,564					2,632,488
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>458,009</u>	<u>2,543,729</u>	<u>46,050</u>				<u>3,047,788</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS							
Cash and short term placements	453,009	204,882	46,050				703,941
Money at call and short notice with original maturity within three months	-	1,941,198					1,941,198
Placements with banks and financial institutions maturing within three months	5,000	145,020					150,020
Held-to-maturity securities with original maturity within three months	-	252,629					252,629
	<u>458,009</u>	<u>2,543,729</u>	<u>46,050</u>				<u>3,047,788</u>

(v) Notes to unaudited pro forma financial information

1. The net proceeds of the Rights Issue as set out in the Company's prospectus dated 17 March 2006 is approximately HK\$2,660,315,000. The excess of the proceeds over the aggregate par value of 364,632,206 rights shares issued as a result of the Rights Issue is credited to the share premium account included in the reserves section.
2. The short-term bridging loan facility of HK\$4,500,000,000 for the Acquisition is assumed to have been drawn down by the Company on 31 December 2005.
3. The Acquisition is assumed to have been completed on 31 December 2005 and thus the consideration of HK\$4,499,550,000 payable by the Company together with any incidental cost of HK\$5,000,000 directly related to the Acquisition (together amounting to approximately HK\$4,504,550,000) are included as a pro forma adjustment.
4. It is the Company's intention to repay a portion of short-term bridging loan by the net proceeds of the Rights Issue. For pro forma financial information illustration purpose, interest expenses on the remaining portion of short-term bridging loan were not accounted for.
5. Bank Consortium Holding Limited ("BCH"), a jointly-controlled entity of ACB Group, with carrying value at Nil as at 31 December 2005, is assumed to be disposed of to Asia Financial Holdings Limited ("AFH"), the holding company of ACB Group at a consideration of HK\$1 on 31 December 2005. The loan to BCH with carrying value of approximately HK\$30 million is assumed to be taken up by AFH at a cash consideration of approximately HK\$31 million and the consideration was settled by AFH on 31 December 2005. The gain of approximately HK\$1 million is treated as an adjustment to the estimated goodwill arising from the Acquisition (see Note 7 below). It is a term of the Share Purchase Agreement that AFH shall procure all the shares held by ACB in, and all shareholder's and other loans made by ACB to, BCH be transferred and assigned (as the case may be) to AFH (or as it may direct) on or before Completion Date on terms reasonably acceptable to the Company. On 28 February 2006, ACB has transferred and assigned (as the case may be) such shares and loan to AFH at cash considerations of HK\$1 and approximately HK\$31 million, respectively.

6. Hong Kong Life Insurance Limited (“HKLI”), another jointly-controlled entity of ACB Group, with carrying value of approximately HK\$19.6 million is assumed to be disposed of to AFH at a cash consideration of approximately HK\$19.6 million, and the consideration was settled by AFH on 31 December 2005. Consequently, no material gain or loss is assumed for this transaction. It is a term of the Share Purchase Agreement that AFH shall procure all the shares held by ACB in HKLI be transferred to AFH (or as it may direct) on or before Completion Date on terms reasonably acceptable to the Company. On 10 April 2006, ACB has transferred such shares to AFH at a cash consideration of approximately HK\$19.6 million.
7. The pro forma consolidation adjustments reflect (i) elimination of the Group’s entire equity interests in ACB Group after the completion of the Acquisition; and (ii) the recognition of estimated goodwill of approximately HK\$2,630,863,000 arising from the Acquisition (see Note 8 below) on the basis that no impairment charges concerning the above estimated goodwill is considered necessary. No pro forma consolidation adjustment was made to the investment properties and property, plant and equipment held by ACB Group since the carrying value is approximated to their fair values based on the valuation performed by C S Surveyors Limited as at 28 February 2006 as set out in Appendix V to the circular.
8. Under Generally Accepted Accounting Principles in Hong Kong, the Group will apply the purchase method to account for the Acquisition. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of ACB Group will be recorded on the unaudited pro forma consolidated balance sheet of the Enlarged Group at their fair values at the date of completion, and all the capital and reserves of ACB Group upon completion of the Acquisition will be eliminated as the pre-acquisition reserves of the Enlarged Group. Any goodwill or negative goodwill arising on the Acquisition will be determined as the excess or deficit of the purchase consideration deemed to be incurred by the Group over the Group’s interests in the net fair value of the identifiable assets, liabilities and contingent liabilities of ACB Group at the date of completion of the Acquisition.

For the purpose of preparing the unaudited pro forma consolidated balance sheet of the Enlarged Group after the Acquisition, the net book value of the identifiable assets, liabilities and contingent liabilities of ACB Group, as extracted from the accountants’ report on ACB Group set forth in Appendix II to this Circular, is applied in the calculation of the estimated goodwill arising from the Acquisition. The actual goodwill arising at the date of completion of the Acquisition may be different from the estimated goodwill as shown above and calculated on the basis as set out above because:

- (a) The fair value of the assets, liabilities and contingent liabilities of ACB Group at the date of completion of the Acquisition may be substantially different from their adjusted book value used in the preparation of the unaudited pro forma consolidated balance sheet above.

- (b) The Consideration for the Acquisition is also subject to potential adjustments as follows:
 - (i) should the final net asset value on the reference date as agreed between AFH and the Company (“Final Net Asset Value”) be lower than the net asset value shown in the unaudited consolidated financial statements of the ACB Group for the six months ended 30 June 2005 (“Interim Net Asset Value”), AFH shall pay to the Company an amount equal to the difference between: (a) the Interim Net Asset Value and (b) the Final Net Asset Value;

 - (ii) should the Final Net Asset Value be higher than the Interim Net Asset Value, the Company shall pay to AFH an amount equal to the difference between: (a) the Final Net Asset Value and (b) the Interim Net Asset Value.

(B) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.



18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

28 April 2006

The Directors
Public Financial Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information (the “Unaudited Pro Forma Financial Information”) of the Enlarged Group, (being the Group (as defined herein) together with Asia Commercial Bank Limited and its subsidiaries (“ACB Group”)), which has been prepared by the directors for illustrative purposes only, to provide the information about how the Acquisition of the entire issued share capital of ACB Group (the “Acquisition”) by Public Financial Holdings Limited (the “Company”) might have affected the historical financial information in respect of the Company and its subsidiaries (the “Group”) for inclusion as Section A of Appendix III to the circular dated 28 April 2006 (the “Circular”) issued by the Company. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page 173 to the circular.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to AG7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

It is our responsibility to form an opinion, as required by the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 “Accountants’ Report on Pro Forma Financial Information in Investment Circulars” issued by HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position or results of

- the Enlarged Group had the transaction actually occurred as at the dates indicated therein; or
- the Enlarged Group at any future date or for any future periods.

Opinion

In our opinion

- (a) the accompanying Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully,
ERNST & YOUNG
Certified Public Accountants
Hong Kong

(C) INDEBTEDNESS**Borrowings**

At the close of business on 28 February 2006, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK\$2,254.6 million, comprising bank borrowings and deposits from financial institutions of HK\$831.0 million and certificates of deposit issued of HK\$1,423.6 million.

Debt securities

At the close of business on 28 February 2006, the Enlarged Group had no outstanding debt securities.

Securities and guarantees

As at 28 February 2006, certain of the Enlarged Group's banking facilities were secured by a placement with a bank amounting to HK\$5.0 million. Such banking facilities had not been utilized from 1 January 2006 to 28 February 2006.

Contingent liabilities

As at 28 February 2006, the Enlarged Group had contingent liabilities in respect of direct credit substitutes of HK\$51.5 million, transaction-related contingencies of HK\$1.3 million, trade-related contingencies of HK\$229.7 million, forward deposits placement of HK\$6.2 million, forward asset purchases of HK\$414.5 million and other commitments of HK\$3,394.3 million.

For information purpose only, attention of the Shareholders is further drawn to the section headed "Litigation" in Appendix VI to this circular.

Save as aforesaid, the Enlarged Group had no other material contingent liabilities.

Disclaimer

Save as referred to in this section and apart from intra-Enlarged Group liabilities, the Enlarged Group did not have, at the close of business on 28 February 2006, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, obligations under hire purchases contracts or finance leases, guarantees, or other material contingent liabilities.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Enlarged Group since 28 February 2006 and up to the Latest Practicable Date.

(D) WORKING CAPITAL

The Directors are of the opinion that, based on the present credit facilities obtained, the credit facilities offered in relation to the Acquisition, the internal financial resources, the net proceeds from the Rights Issue and in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital for its present requirement, that is for at least the next 12 months from the date of this circular.

(E) PROSPECTS OF THE ENLARGED GROUP

For the year 2006, Hong Kong's economy is expected to expand further amidst higher interest rates and inflation. The competition for consumer loan business in Hong Kong is expected to intensify further amongst financial institutions after having full access and benefits from sharing positive credit data for consumer loans. To face such competition and challenges, Public Finance Limited ("Public Finance"), previously known as JCG Finance Company, Limited, a wholly-owned subsidiary of the Company, will focus on selected market segments to expand its customer base and market share in consumer loans through aggressive marketing and promotional activities. It will continue to emphasize training a skilled workforce so as to improve their marketing skills and strengthen the quality of customer service and will continue to relocate its branches to more prominent positions for ease of accessibility by customers, and to open new branches where feasible. With a strong corporate governance in place, a dedicated workforce providing excellent customer service, and aggressive marketing, Public Finance is poised to further grow its consumer financing business in 2006 barring any unforeseen circumstances.

Upon completion of the Acquisition, members of the ACB Group shall become wholly-owned subsidiaries of the Company. The Acquisition will expand the scope of the financial services business of the Group from that of a deposit-taking company presently undertaken by Public Finance to include the full range of the banking business of a licensed bank under ACB. The Directors believe that the Acquisition represents a good opportunity for the Group to expand its

franchise in Hong Kong and Greater China, and, to serve its customers through a combination of Public Finance's retail and consumer financing expertise and ACB's commercial and mortgage lending strengths. The Acquisition will also provide opportunities for the Group to tap into wider funding source from the retail demand and shorter term deposits market, and further strengthen the Group's foothold and market reach to retail and corporate depositors.

The principal activities of the ACB Group consist of the provision of a comprehensive range of banking, financial and related services. ACB operates mainly in Hong Kong and has one branch in Shenzhen and representative offices in Shanghai, Shenyang and Taipei. Upon completion of the Acquisition, the Enlarged Group will have a combined branch network of 52 branches in Hong Kong and a branch in Shenzhen which will provide opportunities for further expansion of the scale and geographical scope of banking and financing business in China in line with the pace of liberalization of the regulatory framework of banking in the PRC. The Acquisition will also provide the expanded operations of the Enlarged Group with improvement in cost efficiency through centralization of processing and back office functions such as IT infrastructure, accounting, human resources management and training.

All the current directors of ACB will resign immediately upon Completion. The directors' fees and other remuneration payable to such directors, if any, will be charged in the pre-completion accounts. The aggregate remuneration payable to the existing directors of ACB is not expected to vary in consequence of the Acquisition. The remuneration of the new members of the board of directors to be appointed to ACB will be determined after the completion of the Acquisition.

1. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

For the year ended 31 December 2003

Business review

In year 2003, Hong Kong's economy was adversely affected by the outbreak of SARS with unemployment rate at a record high of 8.7%. Demand for loans, in particular, consumer financing, was subdued and competition for consumer loan business amongst financial institutions intensified further.

The outbreak of SARS had also affected the taxi financing and taxi trading industry as the income of taxi drivers fell during the outbreak. Consequently, the taxi trading activities of taxi licences in the market were relatively low, and it caused the Group's volume of taxi financing and trading of taxi licences to fall correspondingly.

Despite such a difficult business environment, the Group recorded a profit after tax of HK\$232.1 million, representing a slight decrease of 2.2% or HK\$5.2 million when compared to HK\$237.3 million in the previous year.

Profit and loss analysis

The decrease in profit after tax was mainly attributed to the decrease in net interest income and the decrease in non-interest operating income before taking into account the credit from amortisation of negative goodwill arising from the privatisation of Winton Holdings (Bermuda) Limited.

For the year ended 31 December 2003, the Group's net interest income decreased by 10.4% or HK\$80.2 million to HK\$691.0 million. The Group's interest income decreased by 9.6% or HK\$77.0 million to HK\$723.3 million mainly due to a decrease in gross loans and advances. Although customer deposits as at 31 December 2003 was lower than the previous year end, the Group's interest expense increased by 10.9% or HK\$3.2 million to HK\$32.4 million mainly because the average customer deposits over the year was higher than that of the previous year.

The Group's other non-interest operating income, excluding the amount of amortisation of negative goodwill of HK\$18.4 million for the year, decreased by 9.8% or HK\$16.4 million to HK\$151.6 million mainly due to the decrease in loans processing and related fees as a result of lower volume of consumer loans, and the decrease in contribution from taxi trading activities during the year.

The Group's provisions for bad and doubtful debts decreased by 13.0% or HK\$62.0 million to HK\$415.2 million during the year mainly due to the decrease in personal bankruptcies from the consumer loan customers. However, an increase in the individual voluntary arrangement cases from the consumer loan customers narrowed the decrease in the provisions for bad and doubtful debts, as the Group also adopted a conservative and prudent provisioning policy for such accounts.

The Group's operating expenses decreased by 6.9% or HK\$13.9 million to HK\$186.3 million for the year when compared to the previous year resulting in the Group's cost to operating income ratio to remain relatively low at 21.6% in 2003.

Balance sheet analysis

As at 31 December 2003, the Group's total gross loans and advances decreased by 9.6% or HK\$332.7 million to HK\$3,133.5 million from HK\$3,466.2 million at the end of December 2002, following the write-off of bad debts of HK\$456.4 million, which was mainly from the consumer loan customers, and lower volume of consumer loans transacted by the Group during the year. The Group's customer deposits decreased by 26.2% or HK\$465.0 million to HK\$1,309.3 million as at 31 December 2003 from HK\$1,774.3 million as at 31 December 2002.

Shareholders' funds of the Group as at 31 December 2003 grew to HK\$3,304.3 million.

Segmental information

The Group's business comprised mainly of two segments, personal and commercial lendings, and taxi trading. Over 90% of the Group's operating income and profit before tax were contributed from personal and commercial lendings. When compared to the previous year, the Group's operating income of personal and commercial lendings decreased by 9.7% to HK\$834.3 million. The contribution to profit before tax from personal and commercial lendings decreased by 7.1% to HK\$237.1 million mainly due to the lower operating income during the year.

Asset quality

The Group's non-performing loans ("NPL") to total gross loans and advances was 8.3% at the end of December 2003 against 6.8% at the end of December 2002. The increase in the NPL was mainly due to the re-classification of a re-scheduled loan, which comprised 2.0% of the total gross loans and advances. The repayment of the loan was affected by the outbreak of SARS.

The consolidated capital adequacy ratio of Public Finance increased by 4.21% to 43.17% at the end of 2003 when compared to 38.96% at the end of 2002, mainly due to the decrease in the risk-weighted average assets.

Funding and capital management

The main objectives of the Group's funding and capital management are to ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund business growth and to generate reasonable returns from available funds. The Group also encourages its subsidiaries to be independent and self-reliant on funding their business growth.

The Group relied principally on its internally generated capital and customer deposits to fund its business. The principal source of internally generated capital is from retained earnings. Public Finance's average liquidity ratio stood high at 96.8% in 2003.

During 2003, the Group did not incur any material capital expenditure commitment. There were also no significant changes in charges over the Group's assets.

The Group's principal operations are transacted and recorded in Hong Kong dollar. During the year under review, the Group has neither engaged in any derivative activities nor committed to any financial instruments to hedge its balance sheet exposures.

Human resources management

The objectives of the Group's human resources management are to recognise and reward performing and competent staff by providing a competitive remuneration package and implementing a sound performance appraisal scheme, and to earmark them for their future career development.

Staff has been encouraged and sponsored to enroll in external training courses, seminars, and professional and technical courses to update their technical knowledge and job skills, to increase their awareness of market and technological changes, and to improve their business acumen.

Social activities and staff integration programs have been organised to enhance staff morale and foster closer team spirit amongst them. Periodical discussions and dialogues between branch personnel and management were held to improve customer service, to increase operational efficiencies, and to identify and launch new business promotions for consumer loans. With a competent, cohesive and well-trained work force, the Group is well positioned to meet new opportunities and challenges ahead.

At the end of December 2003, the Group had a relatively stable staff force of about 478 people. For the year ended 31 December 2003, the Group's staff costs amounted to HK\$84.8 million.

Contingent liabilities

At the end of December 2003, the outstanding guarantee given to the co-financing banks under the co-financing arrangement was nil. There was also no other material contingent liability under the Group at the end of the same year.

For the year ended 31 December 2004

Business review

In 2004, Hong Kong's economy continued to benefit from the implementation of the Closer Economic Partnership Arrangement with Mainland China, and the relaxation of travel restrictions of Chinese citizens to visit Hong Kong. The improvement in consumer sentiment can be attributed to the recovery in the property market, growth in tourists arrivals and the decline in unemployment rate from 7.4% in the fourth quarter of 2003 to 6.7% in November 2004. Nevertheless, competition for consumer loans and taxi financing loans intensified further amongst financial institutions due to subdued loan demand and financial institutions seeking other areas of lending to mitigate the effects of the continued interest margin squeeze in their existing business.

Despite the competitive environment, the Group recorded a profit after tax of HK\$412.9 million, representing a sharp growth of 77.9% or HK\$180.8 million when compared to HK\$232.1 million in the previous year. Total loans and advances of the Group increased by HK\$116.2 million to HK\$3,249.7 million as at 31 December 2004.

Profit and loss analysis

The increase in profit after tax was mainly attributed to the decrease in provisions for bad and doubtful debts and the increase in non-interest income.

For the year ended 31 December 2004, the Group's provisions for bad and doubtful debts decreased sharply by 58.2% or HK\$241.9 million to HK\$173.3 million from HK\$415.2 million in 2003, mainly due to the decrease in personal bankruptcies and individual voluntary arrangements from consumer loan customers, as well as the decrease in general provision for bad and doubtful debts.

The Group's non-interest income increased by 17.8% or HK\$30.3 million to HK\$200.3 million for the year, mainly due to the increase in loan processing and related fees as a result of the higher volume of consumer loan transactions.

For the year ended 31 December 2004, the Group's net interest income increased slightly by 1.2% or HK\$8.5 million to HK\$699.4 million. The Group's interest income decreased slightly by 1.5% or HK\$10.5 million to HK\$712.8 million, and the Group's interest expense decreased by 58.7% or HK\$19.0 million to HK\$13.4 million mainly due to the decrease in average customer deposits in the year compared to that of the previous year, and the lower average interest rates paid on customer deposits during the year.

The Group's operating expenses before impairment loss on properties increased by 21.7% or HK\$40.2 million to HK\$225.8 million for the year when compared to the previous year. Consequently, the Group's cost to operating income ratio increased to 25.1% in 2004 from 21.6% in 2003.

Balance sheet analysis

As at 31 December 2004, the Group's total gross loans and advances increased by 3.7% or HK\$116.2 million to HK\$3,249.7 million from HK\$3,133.5 million at the end of December 2003 after bad debts written off amounting to HK\$266.8 million. The growth in gross loans and advances arose mainly from higher volume of consumer loans transacted during the year. The Group's customer deposits, including a deposit of HK\$700.2 million from a related corporate customer, increased by 31.4% or HK\$411.1 million to HK\$1,720.4 million as at 31 December 2004 from HK\$1,309.3 million as at 31 December 2003. Shareholders' funds of the Group as at 31 December 2004 was reduced by HK\$1,141.0 million to HK\$2,163.3 million following the distribution of a special dividend of HK\$1,238.6 million and the first and second interim dividends of HK\$318.5 million during the year.

Segmental information

The Group's business comprised mainly of two segments, personal and commercial lending, and taxi trading. Over 90% of the Group's operating income and profit before tax were contributed by personal and commercial lending. When compared to the previous year, the Group's operating income from personal and commercial lending increased by 3.7% to HK\$865.0 million. The contribution to profit before tax from personal and commercial lending increased by 93.4% to HK\$458.5 million mainly due to the decrease in provisions for bad and doubtful debts during the year.

Asset quality

The Group's ratio of NPL to total gross loans and advances improved further to 6.4% at the end of December 2004 as compared to 8.3% at the end of December 2003.

The consolidated capital adequacy ratio of Public Finance decreased by 4.48% to 38.69% at the end of 2004 when compared to 43.17% at the end of 2003.

Funding and capital management

The main objectives of the Group's funding and capital management activities are to ensure the availability of funds at reasonable cost to meet all contractual financial commitments, to fund business growth and to generate reasonable returns from available funds. The Group also encourages its subsidiaries to be self-reliant in funding their business growth.

The Group relied principally on its internally generated capital and customer deposits to fund its business. The principal source of internally generated capital is from retained earnings. In 2004, Public Finance's average liquidity ratio stood at a high 79.45%.

During the year, the Group did not incur or enter into commitments for any material capital expenditure. Other than a placement with a bank amounting to HK\$5.0 million to secure certain of the Group's banking facilities, there are no other charges over the Group's assets at the end of 2004.

The Group's principal operations are transacted and recorded in Hong Kong dollar. During the year under review, the Group has neither engaged in any derivative activities nor committed to any financial instruments to hedge its balance sheet exposures.

Human resources management

The objectives of the Group's human resources management activities are to recognise and reward performing and competent staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group.

Staff have been encouraged to enroll in external training courses, seminars, professional and technical courses with appropriate sponsorship in order to update their technical knowledge and skills, to increase their awareness of the market and technological changes, and to improve their business acumen. Staff are also encouraged to participate in social activities organised by the Group to promote their team spirit building.

At the end of December 2004, the Group had a stable staff force of about 470 people. For the year ended 31 December 2004, the Group's staff costs amounted to HK\$106.2 million.

Contingent liabilities

At the end of 2004, the Group did not have any material contingent liabilities.

For the year ended 31 December 2005

Business Review

Business and corporate development

In 2005, Hong Kong's economy recorded stronger GDP growth of 8.1% at the end of September 2005, and the unemployment rate fell to 5.3% at the end of November 2005. With the economy improving further, consumer sentiment and confidence picked up momentum generally.

During the year, competition for the consumer loans and taxi financing loans remained keen amongst financial institutions, while trading volume of taxi licences in the market remained low. Despite such a competitive and challenging business environment, the Group's total gross loans and advances grew by 10.3% or HK\$334.1 million to HK\$3,583.8 million as at 31 December 2005 from HK\$3,249.7 million as at the end of December 2004 after bad debts written off of HK\$221.5 million. The growth in gross loans and advances arose mainly from the Group's consumer loans and taxi financing loans. During the year, the market interest rates in general rose further resulting in higher funding costs from customer deposits of the Group.

Segmental information

The Group's business comprised mainly of two segments, personal and commercial lending, and taxi trading. Over 90% of the Group's operating income and profit before tax were contributed from personal and commercial lending. When compared to the previous year, the Group's operating income from personal and commercial lending increased marginally by 2.3% or HK\$19.9 million mainly due to the increase in net interest income arising from growth in gross loans and advances. The profit before tax from personal and commercial lending increased by 7.3% or HK\$33.3 million mainly due to the decrease in impairment allowances for impaired assets in the same year.

Financial Review

Financial analysis

The adoption of certain new accounting standards in 2005 has a direct impact on the results of the Group. During the year, the Group's profit after tax increased moderately by 8.1% or HK\$33.4 million to HK\$446.3 million when compared to HK\$412.9 million for the year 2004, after taking into account a revaluation surplus on properties of HK\$33.7 million, cessation of annual amortisation of HK\$18.4 million for negative goodwill, and provision for share option benefits expense of HK\$45.8 million in the profit and loss account. The

Group's basic earnings per share for the year ended 31 December 2005 increased to HK\$0.62 per share. The Directors have declared and paid the first interim dividend of HK\$0.06 per share together with the special dividend of HK\$0.29 per share, and have declared the second interim dividend of HK\$0.40 per share on 30 December 2005. The second interim dividend were paid on 21 February 2006. The total dividends in 2005 amounted to HK\$0.75 per share.

During the year, the Group's net interest income increased by 9.5% or HK\$66.6 million to HK\$766.0 million as compared to the previous year. Interest income increased by 12.6% or HK\$89.9 million to HK\$802.7 million mainly due to the growth in loans and advances, and after taking into account the reallocation of certain fee income from non-interest income of HK\$39.7 million upon prospective adoption of new accounting standards. Interest expense increased by 173.9% or HK\$23.2 million to HK\$36.6 million mainly due to higher interest rates offered on customer deposits.

In 2005, the Group's operating expenses decreased by 9.3% or HK\$21.6 million to HK\$211.6 million when compared to the previous year after taking into account the share option benefits expense of HK\$45.8 million and surplus on revaluation of investment properties of HK\$33.7 million. The Group continued to exercise effective control over its operating costs in 2005 and maintained a low cost to operating income ratio of 23.5% as compared to 25.1% in 2004.

During the same year, the Group's impairment loss and allowances for impaired financial assets decreased by 8.4% or HK\$14.6 million to HK\$158.8 million mainly due to the reduction in bad debts from consumer loans.

The Group's non-interest income decreased by 33.0% or HK\$66.1 million to HK\$134.2 million in 2005 after the Group ceased the annual amortisation of HK\$18.4 million for negative goodwill, reallocated certain fee income of HK\$39.7 million from non-interest income to interest income following the prospective adoption of new accounting standards, and recorded a decline in other fee income mainly due to lower volume of refinancing loans and decrease in dividend income from a listed investment.

Contingent liabilities and commitments

There were no material contingent liabilities of the Group at the end of the year and the Group did not incur any material capital expenditure commitment during the year under review. Other than a placement with a bank amounting to HK\$5.0 million to secure certain of the Group's banking facilities, there were no other charges over the Group's assets at the end of 2005. The Group had neither engaged in any derivative activities nor committed to any financial instruments to hedge its balance sheet exposures. The Group's principal operations are transacted and recorded in Hong Kong dollar.

Operational Review

Funding and capital management

The main objectives of the Group's funding and capital management activities are to ensure the availability of funds at reasonable cost to meet all contractual financial commitments, to fund loan growth and to generate reasonable returns from available funds. The Group also encourages its subsidiaries to be self-reliant in funding their business growth.

The Group relied principally on its internally generated capital and customer deposits to fund its personal and commercial lending, taxi trading and other businesses. The principal source of internally generated capital is from retained profits. The average liquidity ratio of Public Finance stood high at 72.45% during the year. The Group paid the first interim dividend together with the special dividend in total of HK\$255.2 million on 30 September 2005, and declared the second interim dividend of HK\$291.7 million on 30 December 2005. The second interim dividend was paid on 21 February 2006. The total dividend of the Group amounted to HK\$546.9 million in 2005.

Asset quality and capital adequacy

The impaired loan ratio of the Group was maintained at 5.8% as at 31 December 2005, which was the same as at last year end. The consolidated capital adequacy ratio of Public Finance decreased slightly to 38.52% at the end of December 2005 when compared to 38.69% at the end of December 2004.

Human resources management

The objectives of the Group's human resources management are to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group. Staff have enrolled in external training courses, seminars, professional and technical courses with appropriate sponsorship from the Group in order to update their technical knowledge and skills, to increase their awareness of the market and technological changes, and to improve their business acumen. Staff are also encouraged to participate in social activities organised by the Group to promote team spirit and build a cohesive workforce.

To further retain, motivate and enhance staff morale, the Company granted 66,526,000 share options to the employees of the Group in May 2005 pursuant to the share option scheme approved by the Shareholders on 28 February 2002. As at the end of December 2005, the Group had a staff force of about 460 people. For the year ended 31 December 2005, the Group's staff costs, including the share option benefits expense of HK\$45.8 million, amounted to HK\$138.4 million.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF ACB GROUP

For the year ended 31 December 2003

The first half of 2003 was a difficult period for Hong Kong as the economy struggled with the aftermath of the war in Iraq and SARS. Fortunately, the economy recovered strongly in the second half, as Hong Kong began to enjoy some spillover from the buoyant economy in the Mainland. As economic conditions improved, business activities rebounded strongly, bringing confidence and buoyancy back to the stock and property markets. This economic turnaround in 2003 has enabled many businesses in Hong Kong to become profitable again.

The economic turnaround has also benefited ACB. On consolidated basis, ACB achieved a net profit of HK\$56 million for the year ended 31 December 2003 which is 69.5% higher than the HK\$33 million in 2002. This was despite a lower business turnover in 2003 in the face of fierce competition across many segments of our banking business. Relative to 2002, loans and advances declined 5.1% to HK\$7,342 million and customer deposits fell 1.1% to HK\$9,671 million. Net interest income fell 3.9% to HK\$226.4 million and other operating income fell 8.2% to HK\$57.8 million. However, the substantial improvement in economic conditions in 2003 has also strengthened the financial position of many of ACB's customers and this has resulted in the significant 53.3% decline in the charges made for bad and doubtful debts. The non-performing loans ratio, which increased only marginally in 2003, was in line with industry average.

ACB has achieved considerable success in improving cost and operational efficiencies. The staff structure has been streamlined and the banking operations have been rationalized to consolidate the consumer banking operations and give greater focus to commercial banking, notably small and medium enterprises, which have been a traditional area of strength for ACB. These efforts have been well rewarded with the HK\$19.6 million saving made in total operating expenses in 2003, which was a significant reduction from the HK\$205.9 million incurred in 2002.

ACB continued to be highly liquid and well capitalized. The average liquidity ratio during 2003 was 47.09%. At 31 December 2003, ACB's capital adequacy ratio stood at 19.81%. There were no significant developments affecting the capital structure of ACB in 2003.

For the year ended 31 December 2004

ACB saw consolidated net profit increase strongly by 87.3% to HK\$104.9 million in 2004. Although competition in the Hong Kong banking industry was extremely fierce, with interest rates at below prime being the norm for consumer loans, low local interest rates helped to keep funding costs down, enabling ACB to take advantage of a healthy interest rate spread. Net interest income also benefited from some balance sheet restructuring when some funds were moved into portfolio investment. ACB also enjoyed some non-recurrent income from several areas, including a property revaluation and reorganization of its credit card business.

Loan growth was largely driven by the continued improvement in Hong Kong's economic conditions. The recovery in the property market boosted property development and investment loans. ACB continued to move away from the fiercely competitive mortgage market and expanded into other consumer lending, such as tax loans. Loans to small and medium enterprises, especially for the manufacturing sector and trade finance, increased.

ACB's efforts to strengthen commercial business showed good results. The relocation of some branches, contributed to a 7.7% fall in operating costs. ACB's cost-to-income ratio fell from 65.5% in 2003 to 54.8%. Mainland business, treasury operations and fee-based income all made satisfactory contributions to the year's result.

The level of provisions, which rose 22.0% or HK\$ 4.7 million year-on-year, reflects ACB's prudent approach to provisioning and is in line with the growing loan book.

For the year ended 31 December 2005

ACB saw profit decreased by 17.4% to \$86.6 million in 2005. There were two main reasons for this result. The first was higher individual impairment allowances. Although collective impairments fell, two particular bad loans, which also affected other banks in Hong Kong, were recorded during the year. The second was a decline in net interest income. Although interest income benefited from an increase in overall market interest rates during 2005, overall funding costs rose faster, reducing the net interest margin from 1.98% in 2004 to 1.71% in 2005.

The Hong Kong banking sector remained extremely competitive during 2005, with below-prime rates remaining common for many consumer loans. ACB felt competitive pressures especially in trade-related loans and other very price-sensitive markets. However, ACB saw more positive performance in other loans sectors such as hire purchase and tax loans, and benefited from stronger fee income, following a stronger focus on the sale of insurance and investment products. Profits from joint ventures also made a positive contribution.

Total operating expenses for ACB fell, thanks partly to saving in rentals due to branch relocation.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular, received from C S Surveyors Limited, an independent valuer, in connection with its valuations as at 28 February 2006 of the properties of the Enlarged Group. As described under “Documents available for inspection” in Appendix VI to this circular, a copy of the following letter, together with summary of values and valuation certificates, is available for inspection.

C S Surveyors Limited

1st Floor, Kimley Commercial Building,
142-146 Queen’s Road Central,
Hong Kong

The Board of Directors
Public Financial Holdings Limited
1105-7 Wing On House,
71 Des Voeux Road Central,
Central,
Hong Kong

28 April 2006

Dear Sirs,

PROPERTIES OF ENLARGED GROUP

In accordance with your instructions for us to value the property interests of Public Financial Holdings Limited (the “Company”) and its subsidiaries (hereinafter referred to as the “Group”), and the property interests of Asia Commercial Bank Limited and its subsidiaries (hereinafter referred to as the “ACB Group”) in Hong Kong and Shenzhen, Shenyang and Shanghai in the PRC and Taiwan, we confirm that we have carried out inspections of the properties (except for properties in Shenyang, Shanghai and Taiwan), made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such property interests as at 28 February 2006.

Our valuations are our opinion of the market value and here we would define market value as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the property interests in Group I, we have arrived at the existing use values on “as is” basis of the subject properties by adopting the direct comparison approach making reference to the recent transactions for similar premises in the proximity. Adjustments have been made for the differences in transaction dates, unit size and accessibility, etc.

For those portions of properties that have been leased out from the Enlarged Group, we have valued on the basis of capitalization of net rental income derived from the existing tenancy, made allowance for reversionary income potential of the property and making reference to comparable market transactions.

In valuing the properties in Hong Kong, for which the Government Leases expired before 30 June 1997, we have taken into account of the statement contained in Annex III of the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases will be extended without premium until 30 June 2047 and that an annual rent of three per cent. of the rateable value will be charged from the date of extension.

Our valuations have been made on the assumption that the owners sell the relevant properties on the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to increase the values of such interests. In addition, no forced sale situation in any manner is assumed in our valuations.

For the property interests in Group II which are currently rented and occupied by the Group, they are considered to have no commercial value either because of their non-assignability in the market or because there are prohibitions against subletting and/or assignment contained in the respective leases and/or tenancy agreements or the lack of substantial profit rent. The addresses of properties in Group II are based on those shown in the respective tenancy agreements.

We have assumed that all consents, approvals and licenses from relevant government authorities for the buildings and structures erected or to be erected thereon have been granted. Also, we have assumed that unless otherwise stated, all buildings and structures erected on the sites are held by the owners or permitted to be occupied by the owners.

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation certificate. Further, it is assumed that the utilization of the land and improvements is within the boundaries of the property interests described and that no encroachment or trespass exists unless noted in the valuation certificate.

Other special assumptions and qualifications for each property, if any, have been stated in the footnotes of the valuation certificate for the respective property.

We have caused searches to be made at the Land Registry in respect of the owned property interests located in Hong Kong and in some instances we have been provided with extracts from title documents relating to those properties. We have not, however, searched the original documents to verify ownership or to verify the existence of any lease amendments which do not appear on the copies handed to us. All documents and leases have been used for reference only. All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and therefore are only approximations.

We have been shown copies of Real Estate Title Certificate and some extracts of documents in relation to the property in Shenzhen. We have relied considerably on the advice given by the Group's PRC legal advisers, Commerce and Finance Law Offices, concerning the validity of the Group's title to and interests in the properties located in the PRC.

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us by the Group on such matters as statutory notices, easements, tenure, occupancy, site and floor areas and all other relevant matters. Dimensions and areas included in the valuation certificate are based on information contained in the documents provided to us and are only approximations.

We have no reason to doubt the truth and accuracy of the information as provided to us by the Group. We were also advised by the Group that no material facts have been omitted from the information so supplied. We consider we have been provided with sufficient information to reach an informed view.

We have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any parts of the properties is free from defect.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverished fly ash, or any other deleterious material has been used in the construction of the properties and we are therefore unable to report that the properties are free from risks in this respect. For the purpose of this valuation we have assumed that such investigation would not disclose the presence of any such material in any adverse conditions.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In accordance with our standard practice, this valuation report is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of the contents of this valuation report.

According to the information provided by the Group and ACB Group, the potential tax liability which will arise on the disposal of the properties in Hong Kong is stamp duty. However, our valuation has not considered such tax liability. Since the Group and ACB Group use the properties for business operation, there is no intention for the Group and ACB Group to dispose these properties at present and such tax liability is not going to crystallise.

In preparing our valuation certificates, we have complied with the requirement contained in The HKIS Valuation Standards on Properties (1st Edition, 2005) published by the Hong Kong Institute of Surveyors. Unless otherwise stated, all monetary amounts stated in this report are in Hong Kong Dollars. The exchange rate adopted in the valuation of property No. 32 is 1 Hong Kong Dollar (HK\$) to 1.041 Renminbi (RMB) and no significant fluctuation in exchange rate has been found between that date and the date of this letter.

We enclose herewith our summary of valuation and valuation certificates.

Yours faithfully,
For and on behalf of
C S Surveyors Limited
Steven Lam Chak Wing
Registered Professional Surveyor
MSc MHKIS RPS(GP)
Director

Note: Steven Lam Chak Wing, Chartered Surveyor, MHKIS has over 15 years of experience in undertaking valuations of properties in Hong Kong and the PRC. His name is included on the List of Property Valuers for Undertaking Valuations for Incorporation in Reference in Listing Particulars and Circulars and Valuations in connection with takeover and mergers.

SUMMARY OF VALUATION

Group I: Properties owned by Enlarged Group

Property	Capital value in existing state as at 28 February 2006	Interest attributable to the Enlarged Group as at 28 February 2006	Capital value in existing state attributable to the Enlarged Group as at 28 February 2006
1. Shop A on Ground Floor, Kong Kai Building, No. 184 Aberdeen Main Road, Aberdeen, Hong Kong	HK\$7,500,000	100%	HK\$7,500,000
2. Ground Floor, Yue Yee Mansion, No. 92 Shung Ling Street, San Po Kong, Kowloon	HK\$11,800,000	100%	HK\$11,800,000
3. Flat F on 29th Floor, Pine Mansion, Harbour View Gardens, No. 26 Taikoo Wan Road, Taikoo Shing, Quarry Bay, Hong Kong	HK\$5,850,000	100%	HK\$5,850,000
4. Units 1003-1005 on 10th Floor, Fortress Tower, No. 250 King's Road, North Point, Hong Kong	HK\$7,400,000	100%	HK\$7,400,000
5. Apartment A on 14th Floor of Tower II and Car Parking Space Nos. 4 and 66 on 4th Level, Regent on the Park, No. 9A Kennedy Road, Wanchai, Hong Kong	HK\$26,100,000	100%	HK\$26,100,000
6. 11th Floor, Wing On House, No. 71 Des Voeux Road Central, Hong Kong	HK\$73,000,000	100%	HK\$73,000,000

Properties owned by Enlarged Group

Property	Capital value in existing state as at 28 February 2006	Interest attributable to the Enlarged Group as at 28 February 2006	Capital value in existing state attributable to the Enlarged Group as at 28 February 2006
7. Flat F on 24th Floor, Ngan Sing Mansion, Sing Fai Terrace, No. 1 Tai Fung Avenue, Taikoo Shing, Quarry Bay, Hong Kong	HK\$4,100,000	100%	HK\$4,100,000
8. Workshops E1 and F1 on 10th Floor, Hang Fung Industrial Building Phase 1, No. 2G Hok Yuen Street, Hung Hom, Kowloon	HK\$6,600,000	100%	HK\$6,600,000
9. Shop Nos. 51, 52 and 53 on 1st Floor, Harbour Crystal Centre, No. 100 Granville Road, Tsimshatsui, Kowloon	HK\$5,650,000	100%	HK\$5,650,000
10. Ground Floor, Ruby Commercial Building, No. 480 Nathan Road, Yau Ma Tei, Kowloon	HK\$20,500,000	100%	HK\$20,500,000
11. 4th Floor, No. 581 Nathan Road, Mongkok, Kowloon	HK\$780,000	96.9%	HK\$755,820
12. 2nd Floor, No. 575A Nathan Road, Mongkok, Kowloon	HK\$900,000	96.9%	HK\$872,100
13. 11th Floor, Argyle Centre, Phase I, No. 688 Nathan Road/ No. 65 Argyle Street, Mongkok, Kowloon	HK\$68,400,000	100%	HK\$68,400,000

Properties owned by Enlarged Group

Property	Capital value in existing state as at 28 February 2006	Interest attributable to the Enlarged Group as at 28 February 2006	Capital value in existing state attributable to the Enlarged Group as at 28 February 2006
14. Shop B on Ground Floor and Office B on 1st to 17th Floor, JCG Building, No. 16 Mong Kok Road, Mongkok, Kowloon	HK\$ 90,000,000	100%	HK\$ 90,000,000
15. Ground Floor & Open Yard, Golden Dragon Mansion, No. 751 Nathan Road, Mongkok, Kowloon	HK\$31,000,000	100%	HK\$31,000,000
16. Workshops A, B and C on Ground Floor and Flat E on 9th Floor, Hung Cheong Factory Building, Nos. 742-748 Cheung Sha Wan Road/ Nos. 3 Kwong Cheung Street, Cheung Sha Wan, Kowloon	HK\$20,550,000	100%	HK\$20,550,000
17. Ground Floor, Section B of Lot No. 3704 in D.D. 120, Yuen Long, New Territories	HK\$15,000,000	100%	HK\$15,000,000
18. Shop 7 on Ground Floor, Mei Hang Building, Nos. 15/17, 21/25, 29/33, 37/41 & 45 Kai Man Path, Tuen Mun, New Territories	HK\$10,000,000	100%	HK\$10,000,000
19. Unit 3 on 3rd Floor of Block F-2, Pearl Island Bungalow, No. 9 Tsing Lung Road, Tuen Mun, New Territories	HK\$500,000	100%	HK\$500,000

Properties owned by Enlarged Group

Property	Capital value in existing state as at 28 February 2006	Interest attributable to the Enlarged Group as at 28 February 2006	Capital value in existing state attributable to the Enlarged Group as at 28 February 2006
20. Shop A on Ground Floor, Wing On House, No. 71 Des Voeux Road Central, Hong Kong	HK\$45,000,000	100%	HK\$45,000,000
21. Basement, Ground Floor, 1st Floor – 12th Floor, Flats A & B on 14th Floor, 17th Floor, Flat A on 19th Floor, 21st Floor and Main Roof, Asia Financial Centre, No. 120 Des Voeux Road Central, Hong Kong	HK\$249,500,000	100%	HK\$249,500,000
22. Shop B1 on Ground Floor, Hong Kong Plaza, No. 188 Connaught Road West, Hong Kong	HK\$13,600,000	100%	HK\$13,600,000
23. Office on 2nd Floor of Block C, Bay View Mansion, No. 21 Moreton Terrace, Hong Kong	HK\$3,700,000	100%	HK\$3,700,000
24. Unit Nos. 40-41 on Ground Floor, Hung Hom Commercial Centre, Nos. 37-39 Ma Tau Wai Road, Kowloon	HK\$16,000,000	100%	HK\$16,000,000
25. Shop No. 3C on First Floor, Telford House, No. 16 Wang Hoi Road, Kowloon	HK\$7,500,000	100%	HK\$7,500,000

Properties owned by Enlarged Group

Property	Capital value in existing state as at 28 February 2006	Interest attributable to the Enlarged Group as at 28 February 2006	Capital value in existing state attributable to the Enlarged Group as at 28 February 2006
26. Unit 3 on 5th Floor, Telford House, No. 16 Wang Hoi Road, Kowloon	HK\$3,800,000	100%	HK\$3,800,000
27. Shop 5 on Ground Floor, Fu Ho Building, Nos. 3-7 Kau Yuk Road, Yuen Long, New Territories	HK\$12,600,000	100%	HK\$12,600,000
28. Units 801 and 808-812 on Level 8 of Tower II Metroplaza, No. 223 Hing Fung Road, Kwai Chung, New Territories	HK\$23,300,000	100%	HK\$23,300,000
29. Units 1-5 on 24th Floor, Luen Cheong Can Centre, No. 8 Yip Wong Road, Tuen Mun, New Territories	HK\$2,600,000	100%	HK\$2,600,000
30. G/F, 17 South Wall Road, and the whole block of 19 South Wall Road, Kowloon	HK\$19,600,000	100%	HK\$19,600,000
31. Shop B on Ground Floor, Victory Court, Nos. 185-187 Castle Peak Road, Tsuen Wan, New Territories	HK\$13,500,000	100%	HK\$13,500,000
32. Shop No.1 on Level 1, Carrianna Friendship Square, Renminnan Road/Chunfeng Road, Luohu District, Shenzhen, PRC	HK\$28,830,000	100%	HK\$28,830,000 or RMB\$ 30,000,000
Sub-total:	HK\$845,160,000		HK\$845,107,920

Group II: Properties rented by Enlarged Group

Property	Capital value in existing state as at 28 February 2006	Interest attributable to the Enlarged Group as at 28 February 2006	Capital value in existing state attributable to the Enlarged Group as at 28 February 2006
33. Room 1905, Gloucester Tower, The Landmark, Central, Hong Kong			No commercial value
34. 1st Floor, Coasia Building, Nos. 496-498 Lockhart Road, Causeway Bay, Hong Kong			No commercial value
35. 5th Floor, Coasia Building, Nos. 496-498 Lockhart Road, Causeway Bay, Hong Kong			No commercial value
36. Ground Floor, No. 367 Ngau Tau Kok Road, Kwun Tong, Kowloon			No commercial value
37. Shop B on Ground Floor, Dao Hing Building, No. 34 Jordan Road, Kowloon			No commercial value
38. Ground Floor, No. 281 Sha Tsui Road, Tsuen Wan, New Territories			No commercial value

Properties rented by Enlarged Group

Property	Capital value in existing state as at 28 February 2006	Interest attributable to the Enlarged Group as at 28 February 2006	Capital value in existing state attributable to the Enlarged Group as at 28 February 2006
39. Ground Floor, No. 134 Shaukeiwan Road, Shaukeiwan, Hong Kong			No commercial value
40. Shop B on Ground Floor, Wing Sing Building, No. 27 Castle Peak Road, Shamshuipo, Kowloon			No commercial value
41. Ground Floor, No. 161 Des Voeux Road West, Hong Kong			No commercial value
42. Shop 301 on 3rd Floor, Kwai Chung Plaza, Nos. 7-11 Kwai Foo Road, Kwai Chung, New Territories			No commercial value
43. Ground Floor, No. 86 Kwong Fuk Road, Tai Po, New Territories			No commercial value
44. Shop 9-10 on Ground Floor, Chong Chien Court, No. 355 Tokwawan Road, Tokwawan, Kowloon			No commercial value

Properties rented by Enlarged Group

Property	Capital value in existing state as at 28 February 2006	Interest attributable to the Enlarged Group as at 28 February 2006	Capital value in existing state attributable to the Enlarged Group as at 28 February 2006
45. Ground Floor, No. 170 Hennessy Road, Wanchai, Hong Kong			No commercial value
46. Shop G1, Hong Kong Plaza, No. 188 Connaught Road West, Hong Kong			No commercial value
47. Unit 105 on 1st Floor, Cheung Sha Wan Plaza, No. 833 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon			No commercial value
48. Shop No.1 on Ground Floor, Wah Hing Building, Nos. 449-455 King's Road, North Point, Hong Kong			No commercial value
49. Shop No. 127 & 129 on 1st Floor, Han Palace Building, Nos. 441-447 King's Road, Hong Kong			No commercial value
50. Shop G29 on Ground Floor, Metro City Plaza, Phase II, Tseung Kwan O, Kowloon			No commercial value

Properties rented by Enlarged Group

Property	Capital value in existing state as at 28 February 2006	Interest attributable to the Enlarged Group as at 28 February 2006	Capital value in existing state attributable to the Enlarged Group as at 28 February 2006
51. Mezzanine Floor, Chung Nam House, No. 59 Des Voeux Road Central, Hong Kong			No commercial value
52. Ground Floor, No. 31 Lion Rock Road, Kowloon City, Kowloon			No commercial value
53. Ground Floor, Foo Tak Building, No. 365 Hennessy Road, Tin Lok Lane, Hong Kong			No commercial value
54. 1st Floor, Parker House, No. 72 Queen's Road Central, Hong Kong			No commercial value
55. Ground Floor, No. 130 Ma Tau Wai Road, Kowloon			No commercial value
56. Basement, Shop B9-B10, Star House Plaza, No. 3 Salisbury Road, Tsim Sha Tsui, Kowloon			No commercial value
57. Unit 627A on 6th Floor, Star House, No. 3 Salisbury Road, Kowloon			No commercial value

Properties rented by Enlarged Group

Property	Capital value in existing state as at 28 February 2006	Interest attributable to the Enlarged Group as at 28 February 2006	Capital value in existing state attributable to the Enlarged Group as at 28 February 2006
58. Shop 10A, 11A & B, Lucky Plaza Commercial Centre, Shatin, New Territories			No commercial value
59. Ground Floor, No. 99 San Fung Avenue, Sheung Shui, New Territories			No commercial value
60. Ground Floor, Flat B, 77 Walton Estate, Nos. 341-343 Chai Wan Road, Chai Wan, Hong Kong			No commercial value
61. Ground Floor, No. 89 Fung Tak Road, Wong Tai Sin, Kowloon			No commercial value
62. Shop 2C on Ground Floor, Nos. 11-13 Chik Fai Street, Shatin, New Territories			No commercial value
63. Shop 29 on Ground Floor, Wang Kwong Building, No. 33 Ngau Tau Kok Road, Kowloon			No commercial value
64. Room 1523, Nan Fung Centre, Nos. 264-298 Castle Peak Road, Tsuen Wan, New Territories			No commercial value

Properties rented by Enlarged Group

Property	Capital value in existing state as at 28 February 2006	Interest attributable to the Enlarged Group as at 28 February 2006	Capital value in existing state attributable to the Enlarged Group as at 28 February 2006
65. Unit 2B on Ground Floor, Fook Hong Industrial Building, No. 19 Sheung Yuet Road, Kowloon			No commercial value
66. Ground Floor, No. 14 Hoi Kwong Street, Quarry Bay, Hong Kong			No commercial value
67. Ground Floor, No. 68 Bonham Strand West, Hong Kong			No commercial value
68. Unit A on 9th Floor, China Oversea Building, No. 139 Hennessy Road, Wanchai, Hong Kong			No commercial value
69. Shop A on Ground Floor, Yue Yick Building, Nos. 363-365 King's Road, North Point, Hong Kong			No commercial value
70. Shop No.1 on Ground Floor, Ginza Square, Nos. 565-567 Nathan Road, Kowloon			No commercial value
71. Unit 2310, Tower 1, Millennium City 1, No. 388 Kwun Tong Road, Kwun Tong			No commercial value

Properties rented by Enlarged Group

Property	Capital value in existing state as at 28 February 2006	Interest attributable to the Enlarged Group as at 28 February 2006	Capital value in existing state attributable to the Enlarged Group as at 28 February 2006
72. Room 1801 on 18th Floor, Xinji Huoju Tower, No.262 Shifu Road, Shenhe District, Shenyang, Liaoning, PRC			No commercial value
73. Room 302 on 3rd Floor, Building No.7, Zhongshandongyi Road, Shanghai, PRC			No commercial value
74. Room 905, No.18 Chan-An E. Road, Section 1, Taipei, Taiwan			No commercial value
75. 6 Automatic Teller Machines			No commercial value
Sub-total:			No commercial value
Total:	HK\$845,160,000		HK\$845,107,920

Group I: Properties owned by Enlarged Group

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
1. Shop A on Ground Floor, Kong Kai Building, No. 184 Aberdeen Main Road, Aberdeen, Hong Kong	The property comprises a shop unit on the ground floor of a 22-storey residential building erected on a 2-storey commercial podium which was completed in or about 1990.	The property is currently occupied by the Enlarged Group as branch office.	HK\$7,500,000
330/4,690th shares of and in Aberdeen Inland Lot No. 27.	The property has a gross floor area of approximately 727 sq.ft. (67.54 sq.m.) and a saleable area of approximately 623 sq.ft. (57.88 sq.m.).		Interest attributable to the Enlarged Group 100%
	The property is held under a Government Lease for a term of 999 years from 26 December 1860. The current Government Rent payable for the Lot is HK\$6.68 per annum.		Capital value in existing state attributable to the Enlarged Group HK\$7,500,000

Notes:

1. The registered owner of the property is Public Finance Limited which is a wholly-owned subsidiary of the Company.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
2. Ground Floor, Yue Yee Mansion, No. 92 Shung Ling Street, San Po Kong, Kowloon	The property comprises the whole of ground floor of a 7-storey Chinese tenement building which was completed in or about 1964.	The property is currently occupied by the Enlarged Group as branch office.	HK\$11,800,000
5/100th shares of and in New Kowloon Inland Lot No. 4414.	The property has a saleable area of approximately 1,011 sq.ft. (93.92 sq.m.).		Interest attributable to the Enlarged Group
	The property is held under a Government Lease for a term extended to 30 June 2047. The current Government Rent payable for the property is 3% of the rateable value of the property per annum.		100%
			Capital value in existing state attributable to the Enlarged Group
			HK\$11,800,000

Notes:

1. The registered owner of the property is Public Finance Limited which is a wholly-owned subsidiary of the Company.
2. The property is subject to an order issued by the Buildings Department with no. CFS/HH/70373/01/K under s. 24(1) of the Buildings Ordinance.
3. Save as stated herein, the property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
3. Flat F on 29th Floor, Pine Mansion, Harbour View Gardens, No. 26 Taikoo Wan Road, Taikoo Shing, Quarry Bay, Hong Kong	The property comprises a residential unit of a 30-storey residential building which was completed in or about 1980. The property has a gross floor area of approximately 983 sq.ft. (91.32 sq.m.).	The property is currently leased to Public Bank Berhad for a term of two years with an expiry date of 31 July 2006. The monthly rent is HK\$19,000 exclusive of rates and management fee.	HK\$5,850,000 Interest attributable to the Enlarged Group 100%
40/31,911th shares of and in Section A of Sub-section 3 of Section H and Section K and Sub-section 1 of Section U of Quarry Bay, Marine Lot No. 2 and the extension thereto.	The property is held under a Government Lease for a term 999 years from 18 April 1900. The current Government Rent payable on the Lot is HK\$16,206 per annum.		Capital value in existing state attributable to the Enlarged Group HK\$5,850,000

Notes:

1. The registered owner of the property is Public Finance Limited which is a wholly-owned subsidiary of the Company.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
4. Units 1003-1005 on 10th Floor, Fortress Tower, No. 250 King's Road, North Point, Hong Kong	The property comprises three office units on the 10th floor of a 20-storey office building erected on a 4-storey commercial podium which was completed in or about 1982.	The property is currently occupied by the Enlarged Group as IT centre.	HK\$7,400,000
3,277/393,224th shares of and in Inland Lot No. 8416.	The property has a total gross floor area of approximately 3,151 sq.ft. (292.74 sq.m.).		Interest attributable to the Enlarged Group
	The property is held under a Government Lease for a term of 75 years from 27 August 1976 with a right of renewal for a further term of 75 years. The current Government Rent payable for the Lot is HK\$1,000 per annum.		100%
			Capital value in existing state attributable to the Enlarged Group
			HK\$7,400,000

Notes:

1. The registered owner of the property is Public Finance Limited which is a wholly-owned subsidiary of the Company.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
5. Apartment A on 14th Floor of Tower II and Car Parking Space Nos. 4 and 66 on 4th Level, Regent on the Park, No. 9A Kennedy Road, Wanchai, Hong Kong	The property comprises a residential unit on the 14th floor of a 34-storey residential building which was completed in or about 1986 and two car parking spaces on the 4th level of a 3-storey underground car park.	The property is currently occupied by the Enlarged Group as staff quarters.	HK\$26,100,000 Interest attributable to the Enlarged Group 100%
160/17,160th shares of and in Inland Lot No. 8534.	The property (excluding the carparking space) has a gross floor area of approximately 2,720 sq.ft. (252.69 sq.m.).	The property is held under a Government Lease for a term of 75 years from 20 October 1980 with a right of renewal for a further term of 75 years. The current Government Rent payable for the Lot is HK\$1,000 per annum.	Capital value in existing state attributable to the Enlarged Group HK\$26,100,000

Notes:

1. The registered owner of the property is Public Finance Limited which is a wholly-owned subsidiary of the Company.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
6. 11th Floor, Wing On House, No. 71 Des Voeux Road Central, Hong Kong	The property comprises the whole of the 11th floor of a 31-storey office building erected on a 2-storey podium which was completed in or about 1967.	The property is currently occupied by the Enlarged Group as office and a portion of the property is leased to Public Bank Berhad, Hong Kong	HK\$73,000,000
1,350/42,700th shares of and in Section A and the Remaining Portion of Marine Lot No. 381.	The property has a gross floor area of approximately 15,758 sq.ft. (1,463.95 sq.m.).	The property is held under a Government Lease for a term of 999 years from 15 August 1903. The current Government Rent payable for the Lot is HK\$298 per annum.	100%
			Interest attributable to the Enlarged Group
			Capital value in existing state attributable to the Enlarged Group
			HK\$73,000,000

Notes:

1. The registered owner of the property is Public Finance Limited which is a wholly-owned subsidiary of the Company.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
7. Flat F on 24th Floor, Ngan Sing Mansion, Sing Fai Terrace, No. 1 Tai Fung Avenue, Taikoo Shing, Quarry Bay, Hong Kong	The property comprises a residential unit of a 26-storey residential building erected on a podium which was completed in or about 1982.	The property is currently leased to a member of the Enlarged Group as staff quarters with a tenancy agreement for a term of two years with an expiry date of 2 July 2006. The monthly rent is HK\$16,000, exclusive of rates and management fee.	HK\$4,100,000 Interest attributable to the Enlarged Group 100%
34/57,765th of and in Sub-section 16 of Section K of Quarry Bay Marine Lot No. 2 and the extension thereto.	The property is held under a Government Lease for a term of 999 years from 18 April 1900. The current Government Rent payable for the Lot is HK\$16,206 per annum.		Capital value in existing state attributable to the Enlarged Group HK\$4,100,000

Notes:

1. The registered owner of the property is Public Finance Limited which is a wholly-owned subsidiary of the Company.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
8. Workshops E1 and F1 on 10th Floor, Hang Fung Industrial Building Phase 1, No. 2G Hok Yuen Street, Hung Hom, Kowloon	The property comprises two workshops on the 10th floor of a 13-storey industrial building which was completed in 1979. The total gross floor area of the property is approximately 10,351 sq.ft. (961.63 sq.m.).	Workshop E1 and F1 of the property is currently leased to a member of the Enlarged Group as store room with a tenancy agreement for a term of two years with an expiry date of 30 June 2006. The monthly rent is	HK\$6,600,000
18/634th shares of and in the Remaining Portion of Section B and Section C of Kowloon Marine Lot No. 69, the Remaining Portion of Section B and Section C of Kowloon Marine Lot No. 86 and Sub-section 1 of Section J of Kowloon Marine Lot No. 40.	Kowloon Marine Lot Nos. 69 and 86 are held under two Government Leases each for a term of 75 years commencing from 23 July 1900 renewable for a further term of 75 years. Kowloon Marine Lot No. 40 is held under a Government Lease for a term of 75 years commencing from 15 September 1897 renewable for a further term of 75 years. The total current Government Rent payable for the Lots is HK\$4,806 per annum.	HK\$30,000 exclusive of rates, cleaning charge of common areas, management fee and air-conditioning charge.	Interest attributable to the Enlarged Group 100% Capital value in existing state attributable to the Enlarged Group HK\$6,600,000

Notes:

1. The registered owner of the property is Winton (B.V. I.) Limited which is a wholly-owned subsidiary of the Company.
2. The property is subject to an order no. D10265/K/01/BZ/TT2 issued by the Buildings Department under s. 26 of the Buildings Ordinance.
3. Save as stated herein, the property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
9. Shop Nos. 51, 52 and 53 on 1st Floor, Harbour Crystal Centre, No. 100 Granville Road, Tsimshatsui, Kowloon	The property comprises 3 commercial units on the 1st floor of a 16-storey (including 2 basement levels) commercial building completed in or about 1982.	The property is currently occupied by the Enlarged Group as branch office.	HK\$5,650,000
16/3100 shares of and in Kowloon Inland Lot No. 10600.	The property has a total gross floor area of approximately 1,414 sq.ft. (131.36 sq.m.).	The property is held under a Conditions of Sale for a term of 75 years from 11 December 1978 renewable for a further term of 75 years. The Government Rent payable for the whole lot is HK\$1,000 per annum.	Interest attributable to the Enlarged Group
			100%
			Capital value in existing state attributable to the Enlarged Group
			HK\$5,650,000

Notes:

1. The registered owner of the property is Public Finance Limited which is a wholly-owned subsidiary of the Company.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
10. Ground Floor, Ruby Commercial Building, No. 480 Nathan Road, Yau Ma Tei, Kowloon	The property comprises the whole of ground floor of a 16-storey commercial building completed in or about 1982.	The property is currently occupied by the Enlarged Group as branch office.	HK\$20,500,000
70/895 shares of and in the Remaining Portion of Kowloon Inland Lot No. 3640.	The property has a gross floor area of approximately 1,185 sq. ft. (110.09 sq.m.) and a saleable area of approximately 1,105 sq. ft. (102.66 sq.m.).		100%
	The property is held under a Government Lease for a term of 75 years commencing from 22 October 1917 with the right of renewal for a further term of 75 years. The new Government Rent payable for the property is HK\$24,480 per annum.		Interest attributable to the Enlarged Group Capital value in existing state attributable to the Enlarged Group HK\$20,500,000

Notes:

1. The registered owner of the property is Public Finance Limited which is a wholly-owned subsidiary of the Company.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
11. 4th Floor, No. 581 Nathan Road, Mongkok, Kowloon 1/20 share of and in the Remaining Portion of Kowloon Inland Lot No. 9099.	The property comprises the whole of 4th floor of a 7-storey composite building with shops on ground floor and cockloft and domestic flats on the above. The building was completed in or about 1970.	The property is at present vacant and a portion of the property is used for storage by the Enlarged Group.	HK\$780,000 Interest attributable to the Enlarged Group 96.9%
	The property has a saleable area of approximately 597 sq.ft. (55.46 sq.m.)		Capital value in existing state attributable to the Enlarged Group
	The property is held under a Condition of Re-grant No. 8458 for a term of 150 years commencing from 25 December 1887. The determined Government Rent payable for the property is HK\$10 per annum.		HK\$755,820

Notes:

1. The registered owner of the property is Winsure Company, Limited in which the Company indirectly holds 96.9% interest.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
12. 2nd Floor, No. 575A Nathan Road, Mongkok, Kowloon 1/8 share of and in Kowloon Inland Lot No. 9425.	<p>The property comprises the whole of 2nd floor of a 8-storey composite building with shops on ground floor and domestic flats on the above. The building was completed in or about 1959.</p> <p>The property has a saleable area of approximately 700 sq.ft. (65.03 sq.m.).</p> <p>The property is held under a Conditions of Re-grant No. 8020 for a term of 150 years commencing from 25 December 1887. The determined annual instalment of premium is part of HK\$24,362 and the determined Government Rent is part of HK\$18 per annum.</p>	<p>The property is currently leased to an independent third party with a tenancy agreement for a period from 1 July 2004 to 30 June 2006 on a monthly basis at a monthly rent of HK\$4,500 exclusive of rates.</p>	<p>HK\$900,000</p> <p>Interest attributable to the Enlarged Group</p> <p>96.9%</p> <p>Capital value in existing state attributable to the Enlarged Group</p> <p>HK\$872,100</p>

Notes:

1. The registered owner of the property is Winsure Company, Limited in which the Company indirectly holds 96.9% interest.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
13. 11th Floor, Argyle Centre, Phase I, No. 688 Nathan Road/ No. 65 Argyle Street, Mongkok, Kowloon	The property comprises the whole office floor on the 11th floor of a 21-storey (excluding a basement) commercial building. The building was completed in or about 1982.	Portion of the property is currently leased to various independent third parties for terms of 2 years with the latest expiry date of 14 May 2008 at a total monthly rent of	HK\$68,400,000
130/8800 shares of and in Sections A, B and H of Kowloon Inland Lot No. 1262.	The property has a gross floor area of approximately 15,774 sq.ft. (1,465.44 sq.m.).	HK\$267,419 exclusive of rates and management fee.	Interest attributable to the Enlarged Group
	The property is held under a Government Lease for a term of 75 years commencing from 18 February 1910 with the right of renewable for a further term of 75 years. The Government Rent payable is HK\$36,000 per annum.	The remaining portion of the property is occupied by the Enlarged Group as office.	100%
			Capital value in existing state attributable to the Enlarged Group
			HK\$68,400,000

Notes:

1. The registered owner of the property is Winton Holdings (Hong Kong) Limited which is a wholly-owned subsidiary of the Company.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
14. Shop B on Ground Floor and Office B on 1st to 17th Floor, JCG Building, No. 16 Mong Kok Road, Mongkok, Kowloon	The property comprises a shop unit on ground floor and all B units for 1st to 17th floors of an 18-storey commercial building with a shop on ground floor and office units on the above. The building was completed in or about 1987.	Ground, 1st, 3rd, 5th, 6th, 8th to 10th and 12th floors are occupied by the Enlarged Group as branch office and storage.	HK\$90,000,000
5120/10000 shares of and in the Remaining Portion of Section A of Kowloon Inland Lot No. 1672, Sections B, C and the Remaining Portion of Kowloon Inland Lot No. 1672.	The property has a total gross floor area of approximately 23,837 sq.ft. (2,214.51 sq.m.).	4th, 7th, 11th and 13th to 17th floors are leased to various independent third parties for terms of 2 years with the latest expiry date of 19 February 2008 at a total monthly rent of HK\$94,904 exclusive of rates and management fee.	Interest attributable to the Enlarged Group
	The property is held under a Government Lease for a term of 75 years commencing from 28 May 1900 with the right of renewal for a further term of 75 years. The Government Rent payable for the property is HK\$100,384 per annum.	2nd floor is at present vacant.	100%
			Capital value in existing state attributable to the Enlarged Group
			HK\$90,000,000

Notes:

1. The registered owner of the property is Public Finance Limited which is a wholly-owned subsidiary of the Company.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
15. Ground Floor & Open Yard, Golden Dragon Mansion, No. 751 Nathan Road, Mongkok, Kowloon 2/43 shares of and in the Remaining Portion of Section A and the Remaining Portion of Kowloon Inland Lot No. 2211.	The property comprises the whole of the ground floor of a 14-storey composite building completed in or about 1970. The property has a gross floor area of approximately 1,400 sq.ft. (130.06 sq.m.) and a saleable area of approximately 1,262 sq.ft. (117.24 sq.m.). The property is held under a Government Lease for a term of 75 years commencing from 19 August 1929 with the right of renewal for a further term of 75 years at a rent \$19,512 per annum.	The property is currently occupied by the Enlarged Group as branch office.	HK\$31,000,000 Interest attributable to the Enlarged Group 100% Capital value in existing state attributable to the Enlarged Group HK\$31,000,000

Notes:

1. The registered owner of the property is Public Finance Limited which is a wholly-owned subsidiary of the Company.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
16. Workshops A, B and C on Ground Floor and Flat E on 9th Floor, Hung Cheong Factory Building, Nos. 742-748 Cheung Sha Wan Road/ Nos. 3 Kwong Cheung Street, Cheung Sha Wan, Kowloon	The property comprises three workshop units on the ground floor and a domestic unit on the 9th floor of a 12-storey (excluding a basement) industrial building with 9th to 11th floors designated for workers' quarters. The building was completed in or about 1965.	Portion of workshops A, B and C on ground floor is currently leased to various independent third parties for terms of 2-5 years with the latest expiry date of 30 June 2008 at a total monthly rent of HK\$168,710 exclusive of rates and management fee.	HK\$20,550,000
7/171 shares of and in Sub-section 2 of Section A of New Kowloon Inland Lot No. 3516.	The property has a gross floor area of approximately 7,340 sq.ft. (681.90 sq.m.) for workshops A, B and C on ground floor and a gross floor area of approximately 730 sq.ft. (67.82 sq.m.) and a saleable area of approximately 604 sq.ft. (56.11 sq.m.) for flat E on 9th floor.	The other portion on ground floor is occupied by the Enlarged Group as office.	HK\$20,550,000
	The property is held under a Conditions of Sale for a term expiring on 30 June 2047 at an annual Government rent payable equal to 3% of the rateable value of the property.	Flat E on 9th floor is currently leased to an independent third party as store room with a tenancy agreement for a term of three years expiring on 31 January 2008 at a monthly rent of HK\$5,500 exclusive of rates and management fee.	Interest attributable to the Enlarged Group 100%
			Capital value in existing state attributable to the Enlarged Group

Notes:

1. The registered owner of the property is Winton (B. V. I.) Limited which is a wholly-owned subsidiary of the Company.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.
3. Workshop B on Ground Floor is subject to a Waiver Letter granted by the Lands Department.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
17. Ground Floor, Section B of Lot No. 3704 in D.D. 120, Yuen Long, New Territories	The property comprises the whole of ground floor of a 5-storey composite building completed in or about 1957.	The property is currently occupied by the Enlarged Group as branch office.	HK\$15,000,000
1/5 share of and in Section B of Lot No. 3704 in D.D. 120.	The property has a gross floor area of approximately 1,098 sq.ft. (102.01 sq.m.) and a saleable area of approximately 775 sq.ft. (72.00 sq.m.).		Interest attributable to the Enlarged Group
	The property is held under a New Grant for a term expiring on 30 June 2047 at an annual Government rent payable equal to 3% of the rateable value of the property.		Capital value in existing state attributable to the Enlarged Group
			HK\$15,000,000

Notes:

1. The registered owner of the property is Public Finance Limited which is a wholly-owned subsidiary of the Company.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
18. Shop 7 on Ground Floor, Mei Hang Building, Nos. 15/17, 21/25, 29/33, 37/41 & 45 Kai Man Path, Tuen Mun, New Territories 1/92 share of and in Castle Peak Town Lot No. 16.	The property comprises a shop unit on the ground floor of a 5-storey composite building completed in or about 1973. The property has a gross floor area of approximately 900 sq.ft. (83.61 sq.m.) and a saleable area of approximately 788 sq.ft. (73.21 sq.m.) The property is held under a New Grant for a term expiring on 30 June 2047 at an annual Government rent payable equal to 3% of the rateable value of the property.	The property is currently occupied by the Enlarged Group as branch office.	HK\$10,000,000 Interest attributable to the Enlarged Group 100% Capital value in existing state attributable to the Enlarged Group HK\$10,000,000

Notes:

1. The registered owner of the property is Public Finance Limited which is a wholly-owned subsidiary of the Company.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
19. Unit 3 on 3rd Floor of Block F-2, Pearl Island Bungalow, No. 9 Tsing Lung Road, Tuen Mun, New Territories 2/474 shares of and in Sected A of Lot No. 748 in D.D. 379.	The property comprises a residential unit on the 3rd floor of a 4-storey residential building completed in or about 1971. The property has a gross floor area of approximately 344 sq.ft. (31.96 sq.m.). The property is held under a New Grant for a term expiring on 30 June 2047 at an annual Government rent payable equal to 3% of the rateable value of the property.	The property is at present vacant.	HK\$500,000 Interest attributable to the Enlarged Group 100% Capital value in existing state attributable to the Enlarged Group HK\$500,000

Notes:

1. The registered owner of the property is Winton (B.V. I.) Limited which is a wholly-owned subsidiary of the Company.
2. The property is subject to orders issued by the Buildings Department with no. CBZ/TE/60086/01/NT under s. 24(1), no. D/5001/NT/01CMBS/TT2 under s. 26 and no. DR/5001/NT/01CBS/TE under s. 28(3) of the Buildings Ordinance.
3. Save as stated herein, the property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
20. Shop A on Ground Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong 830/42,700th shares of and in Section A and the Remaining Portion of Marine Lot No. 381.	<p>The property comprises shop A on ground floor of a 31-storey office building erected on a 2-storey podium which was completed in or about 1967.</p> <p>The property has a saleable floor area of approximately 1,215 sq.ft. (112.88 sq.m.).</p> <p>The property is held under a Government Lease for a term of 999 years from 15 August 1903. The current Government Rent payable for the Lot is HK\$298 per annum.</p>	<p>The property is currently leased to Public Bank Berhad, Hong Kong Branch as its branch office for a term of 3 years expiring on 31 October 2006 at a monthly rental of HK\$150,000 exclusive of rates and management fee with an option to renew for a further 2 years at the then prevailing market rate.</p>	<p>HK\$45,000,000</p> <p>Interest attributable to the Enlarged Group</p> <p>100%</p> <p>Capital value in existing state attributable to the Enlarged Group</p> <p>HK\$45,000,000</p>

Notes:

1. The registered owner of the property is the Company.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
21. Basement, Ground Floor, 1st Floor – 12th Floor, Flats A & B on 14th Floor, 17th Floor, Flat A on 19th Floor, 21st Floor and Main Roof, Asia Financial Centre, No. 120 Des Voeux Road Central, Hong Kong	The property comprises a shop unit on ground floor and basement; and office floors of a 23-storey commercial building which was completed in or about 1977. The property has total saleable area of approximately 56,076 sq.ft. (5,209.04 sq.m.) plus Flat Roof on 4th Floor approximately 2,000 sq.ft. (185.80 sq.m.); and Main Roof approximately 600 sq.ft. (55.74 sq.m.).	The property other than a portion of 17th Floor is currently occupied by ACB Group as Main Branch and branch office. A portion of 17th Floor is leased to Asia Financial Holdings Limited for a term of 1 year with the expiry date of 31 December 2006 at a total monthly rent of HK\$25,768 exclusive of rates and management fee.	HK\$249,500,000 Interest attributable to the Enlarged Group 100% Capital value in existing state attributable to the Enlarged Group HK\$249,500,000
289/348 shares of and in The Remaining Portions of Inland Lot Nos. 1991, 1998, 1999, 5040 and 5041, Section A and The Remaining Portion of Inland Lot No. 1959; Section B and The Remaining Portion of Inland Lot No. 2200 and The Extension thereto.	The property is held under a Government Lease for a term of 999 years from 26 June 1843. The current Government Rent payable for the Lot is HK\$49.20 per annum.		

Notes:

1. The registered owner of the property (Basement, Ground Floor, 1st Floor to 7th Floor, 10th Floor to 12th Floor, Flats A & B on 14th Floor, 17th Floor, Flat A on 19th Floor, 21st Floor and Main Roof) is Asia Commercial Bank Limited.
2. The registered owner of the property (8th Floor and 9th Floor) is Hocomban Investments Limited which is a wholly-owned subsidiary of Asia Commercial Bank Limited.
3. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
22. Shop B1 on Ground Floor, Hong Kong Plaza, No. 188 Connaught Road West, Hong Kong	The property comprises a shop unit on ground floor of a 42-storey commercial building which was completed in or about 1983.	The property is currently occupied by ACB Group as branch office.	HK\$13,600,000
150/15,000 shares of and in Marine Lot No. 289 and Section A of Marine Lot No. 302.	The property has a saleable area of approximately 1,934 sq.ft. (179.67 sq.m.)		100%
	Marine Lot No. 289 is held under a Government Lease for a term of 75 years renewal for 75 years from 27 December 1904.		Interest attributable to the Enlarged Group Capital value in existing state attributable to the Enlarged Group
	Marine Lot No. 302 is held under a Government Lease for a term of 999 years from 3 September 1903. The total Government Rate payable for the Lots is HK\$1,419.18 per annum.		HK\$13,600,000

Notes:

1. The registered owner of the property is Hocomban Investments Limited which is a wholly-owned subsidiary of Asia Commercial Bank Limited.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
23. Office on 2nd Floor of Block C, Bay View Mansion, No. 21 Moreton Terrace, Hong Kong	The property comprises an office of a 18-storey composite building which was completed in or about 1966.	The property is currently occupied by ACB Group as warehouse.	HK\$3,700,000
3/250 shares of and in Section A of Sub-Section 1; The Remaining Portion of Sub-Section 2; The Remaining Portion of Section D of Inland Lot No. 1149.	The property has a saleable floor area of approximately 2,388 sq.ft. (221.85 sq.m.). The property is held under a Government Lease for a term of 999 years from 20 May 1889. The current Government Rent payable for the Lot is HK\$72.00 per annum.		Interest attributable to the Enlarged Group 100% Capital value in existing state attributable to the Enlarged Group HK\$3,700,000

Notes:

1. The registered owner of the property is Asia Commercial Bank Limited.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
24. Unit Nos. 40-41 on Ground Floor, Hung Hom Commercial Centre, Nos. 37-39 Ma Tau Wai Road, Kowloon	The property comprises two shop units on the ground floor of a 14-storey commercial building which was completed in or about 1982.	The property is currently occupied by ACB Group as branch office.	HK\$16,000,000
93/12,841 shares of and in The Remaining Portion of Section O of Kowloon Marine Lot No. 40.	The property has a total gross floor area of approximately 1,976 sq.ft. (183.57 sq.m.).	The property is held under a Government Lease for a term of 75 years renewable for 75 years from 15 September 1897. The current Government Rent payable for the Lot is HK\$185,292 per annum.	Interest attributable to the Enlarged Group
			100%
			Capital value in existing state attributable to the Enlarged Group
			HK\$16,000,000

Notes:

1. The registered owner of the property is Hocomban Investments Limited which is a wholly-owned subsidiary of Asia Commercial Bank Limited.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
25. Shop No. 3C on First Floor, Telford House, No. 16 Wang Hoi Road, Kowloon 64/35,807 shares of and in New Kowloon Inland Lot No. 5971.	The property comprises a shop unit on 1st floor of a 23-storey commercial building which was completed in or about 1994. The property has a saleable floor area of approximately 502 sq.ft. (46.64 sq.m). The property is held under a Government Lease for a term expiring on 30 June 2047 at an annual Government rent equal to 3% of the rateable value of the property.	The property is currently leased to an independent third party for a term of two years with the expiry date of 7 March 2007 at a total monthly rent of HK\$43,800 exclusive of rates and management fee.	HK\$7,500,000 Interest attributable to the Enlarged Group 100% Capital value in existing state attributable to the Enlarged Group HK\$7,500,000

Notes:

1. The registered owner of the property is Asia Commercial Bank Limited.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
26. Unit 3 on 5th Floor, Telford House, No. 16 Wang Hoi Road, Kowloon	The property comprises an office unit on 5th floor of a 23-storey commercial building which was completed in or about 1994.	The property is leased to an independent third party for a term of one year with the expiry date of 31 August 2006 at a total monthly rent of	HK\$3,800,000
106/35,807 shares of and in New Kowloon Inland Lot No. 5971.	The property has a saleable floor area of approximately 965 sq.ft. (89.65 sq.m.)	HK\$64,626 exclusive of rates and management fee.	Interest attributable to the Enlarged Group
	The property is held under a Government Lease for a term expiring on 30 June 2047 at an annual Government rent equal to 3% of the rateable value of the property.		Capital value in existing state attributable to the Enlarged Group
			HK\$3,800,000

Notes:

1. The registered owner of the property is Asia Commercial Bank Limited.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
27. Shop 5 on Ground Floor, Fu Ho Building, Nos. 3-7 Kau Yuk Road, Yuen Long, New Territories	The property comprises a shop unit on ground floor of a 14-storey composite building which was completed in or about 1979.	The property is currently occupied by ACB Group as branch office.	HK\$12,600,000
45/820 of and in Yuen Long Town Lot No. 211.	The property has a saleable floor area of approximately 880 sq.ft. (81.75 sq.m.).		100%
	The property is held under a New Grant for a term expiring on 30 June 2047 at an annual Government rent payable equal to 3% of the rateable value of the property.		Interest attributable to the Enlarged Group Capital value in existing state attributable to the Enlarged Group HK\$12,600,000

Notes:

1. The registered owner of the property is Asia Commercial Bank Limited.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
28. Units 801 and 808 – 812 on Level 8 of Tower II Metroplaza, No. 223 Hing Fung Road, Kwai Chung, New Territories	The property comprises six office units on Level 8 of a 35-storey office building erected on a 9-storey commercial/carpark podium. The building was completed in or about 1992.	The subject property is currently occupied by ACB Group as backup office and branch office.	HK\$23,300,000
113/31,000 shares of and in Kwai Chung Town Lot No. 395.	The total saleable floor area of the property is approximately 5,670 sq.ft. (526.76 sq.m.).	Kwai Chung Town Lot is held under a New Grant for a term expiring on 30 June 2047 at an annual Government rent equal to 3% of the ratable value of the property.	Interest attributable to the Enlarged Group
			100%
			Capital value in existing state attributable to the Enlarged Group
			HK\$23,300,000

Notes:

1. The registered owner of the property is Asia Commercial Bank Limited.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
29. Units 1-5 on 24th Floor, Luen Cheong Can Centre, No. 8 Yip Wong Road, Tuen Mun, New Territories 1,000/80,000 shares of and in The Remaining Portion of Lot No. 1119 in D.D. 131.	The property comprises 5 industrial units on the 24th floor of a 26-storey industrial building completed in or about 1992. The property has a total gross floor area of approximately 11,339 sq. ft. (1,053.42 sq.m.). The property is held under a New Grant for a term expiring at 30 June 2047 at an annual Government rent equal to 3% of the rateable value of the property.	The property is currently occupied by ACB Group as warehouse.	HK\$2,600,000 Interest attributable to the Enlarged Group 100% Capital value in existing state attributable to the Enlarged Group HK\$2,600,000

Notes:

1. The registered owner of the property is Asia Commercial Bank Limited.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
30. Ground Floor, 17 South Wall Road and the whole block of 19 South Wall Road, Kowloon	The property comprises a shop unit on ground floor of No.17 South Wall Road which is a 5-storey tenement block completed in or about 1976; and the whole block of No.19 South Wall Road which is a 5-storey tenement block completed in or about 1977.	The property is currently occupied by ACB Group as branch office.	HK\$19,600,000
2/16 shares of and in The Remaining Portion of New Kowloon Inland Lot Nos. 1494 and 1943.	The property has a total saleable floor area of approximately 4,649 sq.ft. (431.90 sq.m.).		Interest attributable to the Enlarged Group
The whole of Remaining Portion of New Kowloon Inland Lot No.1634	The property is held from the Government lease for a term expiring on 30 June 2047 at an annual Government rent payable equal to 3% of the rateable value of the property.		Capital value in existing state attributable to the Enlarged Group
			HK\$19,600,000

Notes:

1. The registered owner of the property is Asia Commercial Bank Limited.
2. The property is not subject to any mortgage or other material encumbrances as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
31. Shop B on Ground Floor, Victory Court, No. 185-187 Castle Peak Road, Tsuen Wan, New Territories 9/229 shares of and in Tsuen Wan Town Lot No. 239.	The property comprises a shop unit on ground floor of a 24-storey composite building which was completed in or about 1980. The property has a saleable area of approximately 1,600 sq.ft. (148.64 sq.m.). The property is held under a New Grant No. 5395 for a term expiring on 30 June 2047 at an annual Government rent equal to 3% of the ratable value of the property.	The property is currently occupied by ACB Group as branch office.	HK\$13,500,000 Interest attributable to the Enlarged Group 100% Capital value in existing state attributable to the Enlarged Group HK\$13,500,000

Notes:

1. The registered owner of the property is Asia Commercial Bank Limited.
2. The property is not subject to any mortgage or other material encumbrance as at 28 February 2006.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2006
32. Shop No. 1 on Level 1 Carrianna Friendship Square, Renminnan Road/ Chunfeng Road, Luohu District Shenzhen, PRC	<p>The property comprises a shop unit on ground floor of a 33-storey composite building completed in or about 1997.</p> <p>The property has a gross area approximately 336.60 sq.m. or saleable area 168.3 sq.m.</p>	The property is currently occupied by ACB Group as branch office.	<p>HK\$28,830,000 (RMB30,000,000 at exchange rate of HK\$1 = RMB1.041)</p> <p>Interest attributable to the Enlarged Group</p> <p>100%</p> <p>Capital value in existing state attributable to the Enlarged Group</p> <p>HK\$28,830,000 (RMB30,000,000 at exchange rate of HK\$1 = RMB1.041)</p>

Notes:

1. Pursuant to the Real Property and Land Certificate No. 000013661, the owner of the property is Asia Commercial Bank Limited Shenzhen Branch. The property was held for a term expiring on 17/12/2041 and was designated for commercial/finance use.
2. Pursuant to licence No. 490018, the property was permitted to be occupied by Asia Commercial Bank Limited as a branch office from 19/3/1993 to 19/3/2013.
3. Pursuant to the legal opinion from the Group's PRC lawyers, Commerce and Finance Law Offices, the Real Property and Land Certificate No. 000013661 in respect of the property is legal and valid. The purchase price payable by Asia Commercial Bank Limited, Shenzhen Branch under the Property Sales Contract had been fully paid and all land premium or land grant fee have been settled in full.

Group II: Property interests rented by Enlarged Group

Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2006
33. Room 1905, Gloucester Tower, The Landmark, Central, Hong Kong	<p>The property comprises an office unit on 19th floor of a 46-storey building completed in 1979.</p> <p>The property has a net floor area of approximately 5,418 sq.ft. (503.33 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 3 years from 1 September 2005 to 31 August 2008 at a monthly rent of HK\$287,154, exclusive of management fee and government rates.</p>	No commercial value
34. 1st Floor, Coasia Building, Nos. 496-498 Lockhart Road, Causeway Bay, Hong Kong	<p>The property comprises an office unit on 1st floor of a 23-storey building completed in 1993.</p> <p>The property has a gross floor area of approximately 1,150 sq.ft. (106.83 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 3 years from 29 July 2003 to 28 July 2006 at a monthly rent of HK\$42,000, exclusive of management fee and government rates.</p>	No commercial value
35. 5th Floor, Coasia Building, Nos. 496-498 Lockhart Road, Causeway Bay, Hong Kong	<p>The property comprises an office unit on 5th floor of a 23-storey building completed in 1993.</p> <p>The property has a gross floor area of approximately 523 sq.ft. (48.58 sq.m.) and currently occupied by the Group as warehouse.</p> <p>The property is rented from a third party for a term of 3 years from 1 July 2003 to 30 June 2006 at a monthly rent of HK\$7,000, exclusive of management fee and government rates.</p>	No commercial value

Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2006
36. Ground Floor, No. 367 Ngau Tau Kok Road, Kwun Tong, Kowloon	<p>The property comprises a shop unit on ground floor of a 16-storey building completed in 1965.</p> <p>The property has a gross floor area of approximately 1,000 sq.ft. (92.9 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 2 years from 1 March 2004 to 28 February 2006 at a monthly rent of HK\$90,000, exclusive of management fee and government rates.</p>	No commercial value
37. Shop B on Ground Floor, Dao Hing Building, No. 34 Jordan Road, Kowloon	<p>The property comprises a shop unit on ground floor of a 16-storey building completed in 1968.</p> <p>The property has a gross floor area of approximately 1,225 sq.ft. (113.8 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 3 years from 1 February 2006 to 31 January 2009 at a monthly rent of HK\$59,000, exclusive of management fee and government rates.</p>	No commercial value
38. Ground Floor, No. 281 Sha Tsui Road, Tsuen Wan, New Territories	<p>The property comprises a shop unit on ground floor of a 6-storey building completed in 1963.</p> <p>The property has a gross floor area of approximately 1,200 sq.ft. (111.48 sq.m.) & cockloft 1,000 sq.ft. (92.9 sq.m) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 3 years from 25 June 2004 to 24 June 2007 at a monthly rent of HK\$68,000, exclusive of management fee and government rates.</p>	No commercial value

Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2006
39. Ground Floor, No. 134 Shaukeiwan Road, Shaukeiwan, Hong Kong	<p>The property comprises a shop unit on ground floor of a 6-storey building completed in 1965.</p> <p>The property has a gross floor area of approximately 900 sq.ft. (83.61 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 3 years from 1 May 2003 to 30 April 2006 at a monthly rent of HK\$31,000, inclusive of government rates but exclusive of management fee.</p>	No commercial value
40. Shop B on Ground Floor, Wing Sing Building, No. 27 Castle Peak Road, Shamshuipo, Kowloon	<p>The property comprises a shop unit on ground floor of a 11-storey building completed in 1975.</p> <p>The property has a gross floor area of approximately 1,200 sq.ft. (111.48 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 2 years from 1 April 2004 to 31 March 2006 at a monthly rent of HK\$36,000, exclusive of management fee and government rates.</p>	No commercial value
41. Ground Floor, No. 161 Des Voeux Road West, Hong Kong	<p>The property comprises a shop unit on ground floor of a 15-storey building completed in 1964.</p> <p>The property has a gross floor area of approximately 1,140 sq.ft. (105.9 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 3 years from 22 September 2003 to 21 September 2006 at a monthly rent of HK\$16,000, exclusive of management fee and government rates.</p>	No commercial value

Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2006
42. Shop 301 on 3rd Floor, Kwai Chung Plaza, Nos. 7-11 Kwai Foo Road, Kwai Chung, New Territories	<p>The property comprises a commercial unit on 3rd floor of a 5-storey commercial podium completed in 1990.</p> <p>The property has a gross floor area of approximately 1,587 sq.ft. (147.43 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 3 years from 14 May 2004 to 13 May 2007 at a monthly rent of HK\$74,000, exclusive of management fee and government rates.</p>	No commercial value
43. Ground Floor, No. 86 Kwong Fuk Road, Tai Po, New Territories	<p>The property comprises a shop unit on ground floor of a 7-storey building completed in 1973.</p> <p>The property has a gross floor area of approximately 800 sq.ft. (74.32 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 2 years from 1 July 2005 to 30 June 2007 at a monthly rent of HK\$45,000, exclusive of management fee and government rates.</p>	No commercial value
44. Shop 9-10 on Ground Floor, Chong Chien Court, No. 355 Tokwawan Road, Tokwawan, Kowloon	<p>The property comprises two shop units on ground floor of a 14-storey building completed in 1979.</p> <p>The property has a gross floor area of approximately 950 sq.ft. (88.25 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 2 years from 8 July 2004 to 7 July 2006 at a monthly rent of HK\$38,000, exclusive of management fee and government rates.</p>	No commercial value

Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2006
45. Ground Floor, No. 170 Hennessy Road, Wanchai, Hong Kong	<p>The property comprises a shop unit on ground floor of a 13-storey building completed in 1967.</p> <p>The property has a gross floor area of approximately 1,000 sq.ft. (92.9 sq.m.) & cockloft 1,000 sq.ft (92.9 sq.m) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 2 years from 21 March 2004 to 20 March 2006 at a monthly rent of HK\$71,300, exclusive of management fee and government rates.</p>	No commercial value
46. Shop G1, Hong Kong Plaza, No. 188 Connaught Road West, Hong Kong	<p>The property comprises a shop unit on ground floor of a 42-storey building completed in 1983.</p> <p>The property has a gross floor area of approximately 667 sq.ft. (61.96 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 2 years from 19 March 2004 to 18 March 2006 at a monthly rent of HK\$50,000, exclusive of management fee and government rates.</p>	No commercial value
47. Unit 105 on 1st Floor, Cheung Sha Wan Plaza, No. 833 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon	<p>The property comprises a commercial unit on 1st floor of a 14-storey building completed in 1989.</p> <p>The property has a gross floor area of approximately 1,357 sq.ft. (126.06 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 2 years from 18 April 2004 to 17 April 2006 at a monthly rent of HK\$33,000, exclusive of management fee and government rates.</p>	No commercial value

Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2006
48. Shop No.1 on Ground Floor, Wah Hing Building, Nos. 449-455 King's Road, North Point, Hong Kong	<p>The property comprises a shop unit on ground floor of a 23-storey building completed in 1979.</p> <p>The property has a gross floor area of approximately 1,100 sq.ft. (102.19 sq.m.) & cockloft 450 sq.ft (41.8 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 2 years from 21 June 2005 to 20 June 2007 at a monthly rent of HK\$56,000, exclusive of management fee and government rates.</p>	No commercial value
49. Shop No. 127 & 129 on 1st Floor, Han Palace Building, Nos. 441-447 King's Road, Hong Kong	<p>The property comprises two office units on 1st floor of a 20-storey building completed in 1968.</p> <p>The property has a gross floor area of approximately 200 sq.ft. (18.58 sq.m.) and currently occupied by the Group as warehouse.</p> <p>The property is rented from a third party for a term of 1 year from 22 February 2006 to 21 February 2007 at a monthly rent of HK\$4,000, inclusive of management fee and government rates.</p>	No commercial value
50. Shop G29 on Ground Floor, Metro City Plaza, Phase II, Tseung Kwan O, Kowloon	<p>The property comprises a shop unit on ground floor of a 4-storey commercial complex completed in 1999.</p> <p>The property has a gross floor area of approximately 1,183 sq.ft. (109.9 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 2 years from 15 December 2005 to 14 December 2007 at a monthly rent of HK\$51,000, exclusive of management fee and government rates.</p>	No commercial value

Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2006
51. Mezzanine Floor, Chung Nam House, No. 59 Des Voeux Road Central, Hong Kong	<p>The property comprises an commercial unit on mezzanine floor of a 14-storey building completed in 1966.</p> <p>The property has a gross floor area of approximately 1,000 sq.ft. (92.9 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 2 years from 1 April 2004 to 31 March 2006 at a monthly rent of HK\$42,000, exclusive of management fee and government rates.</p>	No commercial value
52. Ground Floor, No. 31 Lion Rock Road, Kowloon City, Kowloon	<p>The property comprises a shop unit on ground floor of a 4-storey building completed before 1945.</p> <p>The property has a gross floor area of approximately 1,000 sq.ft. (92.9 sq.m.) & cockloft 500sq.ft. (46.45 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 2 years from 3 August 2004 to 2 August 2006 at a monthly rent of HK\$25,000, exclusive of management fee and government rates.</p>	No commercial value
53. Ground Floor, Foo Tak Building, No. 365 Hennessy Road, Tin Lok Lane, Hong Kong	<p>The property comprises a shop unit on ground floor of a 8-storey building completed in 1968.</p> <p>The property has a gross floor area of approximately 835 sq.ft. (77.57 sq.m.) & cockloft 640 sq.ft (59.45 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 2 years from 24 August 2004 to 23 August 2006 at a monthly rent of HK\$70,000, exclusive of management fee and government rates.</p>	No commercial value

Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2006
54. 1st Floor, Parker House, No. 72 Queen's Road Central, Hong Kong	<p>The property comprises an office unit on 1st floor of a 12-storey building completed in 1975.</p> <p>The property has a gross floor area of approximately 1,380 sq.ft. (128.2 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 2 years from 1 October 2005 to 30 September 2007 at a monthly rent of HK\$72,000, exclusive of management fee and government rates.</p>	No commercial value
55. Ground Floor, No. 130 Ma Tau Wai Road, Kowloon	<p>The property comprises a shop unit on ground floor of a 14-storey building completed in 1964.</p> <p>The property has a gross floor area of approximately 850 sq.ft. (78.96 sq.m.) & cockloft 850 sq.ft (78.96 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 2 years from 15 August 2005 to 14 August 2007 at a monthly rent of HK\$34,000, exclusive of management fee and government rates.</p>	No commercial value
56. Basement, Shop B9-B10, Star House Plaza, 3 Salisbury Road, Tsim Sha Tsui, Kowloon	<p>The property comprises two commercial units on basement of a 20-storey building completed in 1966.</p> <p>The property has a gross floor area of approximately 1,345 sq.ft. (124.95 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 2 years from 1 May 2005 to 30 April 2007 at a monthly rent of HK\$55,000, exclusive of management fee and government rates.</p>	No commercial value

Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2006
57. Unit 627A on 6th Floor, Star House, No. 3 Salisbury Road, Kowloon	<p>The property comprises an office unit on 6th floor of a 20-storey building completed in 1966.</p> <p>The property has a gross floor area of approximately 700 sq.ft. (65.03sq.m.) and currently occupied by the Group as warehouse.</p> <p>The property is rented from a third party for a term of 2 years from 1 April 2005 to 31 March 2007 at a monthly rent of HK\$7,000, exclusive of management fee and government rates.</p>	No commercial value
58. Shop 10A, 11A & B, Lucky Plaza Commercial Centre, Shatin, New Territories	<p>The property comprises three commercial units on ground floor of a 26-storey building completed in 1983.</p> <p>The property has a gross floor area of approximately 1,795 sq.ft. (166.75 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 2 years from 1 November 2005 to 31 October 2007 at a monthly rent of HK\$114,700, exclusive of management fee and government rates.</p>	No commercial value
59. Ground Floor, No. 99 San Fung Avenue, Sheung Shui, New Territories	<p>The property comprises a shop unit on ground floor of a 3-storey building completed in 1964.</p> <p>The property has a gross floor area of approximately 980 sq.ft. (91.04 sq.m.) & cockloft 850 sq.ft (78.96 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 3 years from 1 April 2005 to 31 March 2008 at a monthly rent of HK\$72,000, exclusive of management fee and government rates.</p>	No commercial value

Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2006
60. Ground Floor, Flat B, 77 Walton Estate, Nos. 341-343 Chai Wan Road, Chai Wan, Hong Kong	<p>The property comprises a shop unit on ground floor of a 26-storey building completed in 1982.</p> <p>The property has a gross floor area of approximately 720 sq.ft. (66.88 sq.m.) & cockloft 720 sq.ft. (66.88 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 3 years from 21 June 2003 to 20 June 2006 at a monthly rent of HK\$58,500, exclusive of management fee and government rates.</p>	No commercial value
61. Ground Floor, No. 89 Fung Tak Road, Wong Tai Sin, Kowloon	<p>The property comprises a shop unit on ground floor of a 6-storey building completed in 1970.</p> <p>The property has a gross floor area of approximately 923 sq.ft. (85.74 sq.m.) & cockloft 500 sq.ft. (46.45 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 3 years from 1 May 2003 to 30 April 2006 at a monthly rent of HK\$40,000, exclusive of management fee and government rates.</p>	No commercial value
62. Shop 2C on Ground Floor, Nos. 11-13 Chik Fai Street, Shatin, New Territories	<p>The property comprises a shop unit on ground floor of a 6-storey building completed in 1986.</p> <p>The property has a gross floor area of approximately 950 sq.ft. (88.25 sq.m.) & cockloft 950 sq.ft (88.25 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 2 years from 16 May 2005 to 15 May 2007 at a monthly rent of HK\$54,000, exclusive of management fee and government rates.</p>	No commercial value

Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2006
63. Shop 29 on Ground Floor, Wang Kwong Building, No. 33 Ngau Tau Kok Road, Kowloon	<p>The property comprises a shop unit on ground floor of a 30-storey building completed in 1977.</p> <p>The property has a gross floor area of approximately 750 sq.ft. (69.67 sq.m.) & cockloft 750 sq.ft (69.67 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 2 years from 1 June 2005 to 31 May 2007 at a monthly rent of HK\$32,000, inclusive of government rates but exclusive of management fee.</p>	No commercial value
64. Room 1523, Nan Fung Centre, Nos. 264-298 Castle Peak Road, Tsuen Wan, New Territories	<p>The property comprises an office unit on 15th floor of a 23-storey building completed in 1983.</p> <p>The property has a gross floor area of approximately 2,088 sq.ft. (193.97 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 2 years from 26 June 2004 to 25 June 2006 at a monthly rent of HK\$27,500, exclusive of management fee and government rates.</p>	No commercial value
65. Unit 2B on Ground Floor, Fook Hong Industrial Building, No. 19 Sheung Yuet Road, Kowloon	<p>The property comprises an industrial unit on ground floor of a 13-storey building completed in 1986.</p> <p>The property has a gross floor area of approximately 800 sq.ft. (74.32 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 3 years from 10 June 2003 to 9 June 2006 at a monthly rent of HK\$25,000, exclusive of management fee and government rates.</p>	No commercial value

Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2006
66. Ground Floor, 14 Hoi Kwong Street, Quarry Bay, Hong Kong	<p>The property comprises a shop unit on ground floor of a 10-storey building completed in 1962.</p> <p>The property has a gross floor area of approximately 600 sq.ft. (55.74 sq.m.) and currently occupied by the Group as branch office.</p> <p>The property is rented from a third party for a term of 2 years from 1 June 2005 to 31 May 2007 at a monthly rent of HK\$27,000, exclusive of management fee and government rates.</p>	No commercial value
67. Ground Floor, 68 Bonham Strand West, Hong Kong	<p>The property comprises a shop unit on ground floor of a 7-storey building completed in 1966.</p> <p>The property has a gross floor area of approximately 2,640 sq.ft. (245.35 sq.m.) and currently occupied by the ACB Group as branch office.</p> <p>The property is rented from a third party for a term of 1 year from 1 February 2006 to 31 January 2007 at a monthly rent of HK\$65,000, inclusive of management fee and exclusive of government rates.</p>	No commercial value
68. Unit A, on 9th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong	<p>The property comprises an office unit on 9th floor of a 31-storey building completed in 1991.</p> <p>The property has a gross floor area of approximately 1,184 sq.ft. (110.04 sq.m.) and currently occupied by the ACB Group as branch office.</p> <p>The property is rented from a third party for a term of 2 years from 10 May 2004 to 9 May 2006 at a monthly rent of HK\$17,760, exclusive of management fee and government rates.</p>	No commercial value

Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2006
69. Shop A, Ground Floor, Yue Yick Building, Nos. 363-365 King's Road, North Point, Hong Kong	<p>The property comprises a shop unit on ground floor of a 23-storey building completed in 1989.</p> <p>The property has a gross floor area of approximately 1,400 sq.ft. (130.11 sq.m.) and currently occupied by the ACB Group as branch office.</p> <p>The property is rented from a third party for a term of 3 years from 15 February 2006 to 14 February 2009 at a monthly rent of HK\$110,000, exclusive of management fee and government rates.</p>	No commercial value
70. Shop No.1 on Ground Floor, Ginza Square, Nos. 565-567 Nathan Road, Kowloon	<p>The property comprises a shop unit on ground floor of a 22-storey building completed in 1992.</p> <p>The property has a gross floor area of approximately 1,833 sq.ft. (170.35 sq.m.) and currently occupied by the ACB Group as branch office.</p> <p>The property is rented from a third party for a term of 3 years from 1 January 2004 to 31 December 2006 at a monthly rent of HK\$120,000, exclusive of management fee and government rates.</p>	No commercial value
71. Unit 2310, Tower 1, Millennium City 1, No. 388 Kwun Tong Road, Kwun Tong Kowloon	<p>The property comprises an office unit on 23rd floor of a 38-storey building completed in 1998.</p> <p>The property has a gross floor area of approximately 2,098 sq.ft. (194.98 sq.m.) and currently occupied by the ACB Group as branch office.</p> <p>The property is rented from a third party for a term of 3 years from 1 August 2004 to 31 July 2007 at a monthly rent of HK\$28,323, exclusive of management fee and government rates.</p>	No commercial value

Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2006
72. Room 1801, 18th Floor Xinji Huoju Tower, No.262 Shifu Road, Shenhe District, Shenyang, Liaoning, PRC,	<p>The property comprises an office unit on 18th floor of a 35-storey building completed in 1994.</p> <p>The property has a gross floor area of approximately 640 sq.ft. (59.46 sq.m.) and currently occupied by the ACB Group as representative office.</p> <p>The property is rented from a third party for a term of 6 months from 15 February 2006 to 14 August 2006 at a lump sum rent of RMB30,400.</p>	No commercial value
73. Room 302 on 3rd Floor, Building No. 7, Zhongshandongyi Road, Shanghai, PRC	<p>The property comprises an office unit on 3rd floor of a 4-storey building completed in 1906.</p> <p>The property has a gross floor area of approximately 840 sq.ft. (78.04 sq.m.) and currently occupied by the ACB Group as representative office.</p> <p>The property is rented from a third party for a term of 3 years from 1 August 2003 to 31 July 2006 at a monthly rent of USD1,788.50 exclusive and a monthly management fee of (i) USD3.80 per sq.m. for the period from 1 August 2003 to 31 July 2004 and (ii) USD3.95 per sq.m. for the period from 1 August 2004 to 31 July 2005; and (iii) USD4.10 per sq.m. for the period from 1 August 2005 to 31 July 2006.</p>	No commercial value

Notes: 1) Pursuant to the Group's PRC lawyers, Commerce and Finance Law Offices, the contents of the tenancy agreements are in compliance with PRC laws and regulations, and constitute legally valid and binding obligations on the parties to the tenancy agreements.

Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2006
74. Room 905, No.18 Chan-An E. Road, Section 1, Taipei, Taiwan	<p>The property comprises an office unit on 9th floor of a 12-storey building completed in 1989.</p> <p>The property has a gross floor area of approximately 878 sq.ft. (81.57 sq.m.) and currently occupied by the ACB Group as representative office.</p> <p>The property is rented from a third party for a term of 2 years from 1 July 2004 to 30 June 2006 at a monthly rent of NTD42,204 inclusive of management fee and government rates.</p>	No commercial value
75. 6 Automatic Teller Machines	<p>The properties comprise 6 Automatic Teller Machines in various places.</p> <p>The properties are currently occupied by the ACB Group for Automatic Teller Machines.</p> <p>The properties are rented by the ACB Group under various tenancies/licences at a total monthly rent/licence fees of approximately HK\$49,500.</p>	No commercial Value

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of Directors and chief executive in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in ordinary shares of the Company and associated corporations

Interests in	Name of director	Number of ordinary shares			Total	Percentage of interest in issued share capital
		Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
1. The Company	Tan Sri Dato' Sri Dr. Teh Hong Piow	-	-	819,473,920	819,473,920	74.9133
	Tan Yoke Kong	80,000	-	-	80,000	0.0073
	Lee Huat Oon	20,000	-	-	20,000	0.0018
	Dato' Yeoh Chin Kee	50,000	-	-	50,000	0.0046

Interests in	Name of director	Number of ordinary shares			Total	Percentage of interest in issued share capital
		Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
2. Public Bank Berhad, <i>the ultimate holding company</i>	Tan Sri Dato' Sri Dr. Teh Hong Piow	21,524,250	–	786,468,596	807,992,846	23.5336
	Dato' Sri Tay Ah Lek	3,810,109	–	139,482	3,949,591	0.1150
	Dato' Yeoh Chin Kee	1,360,000	400,000	–	1,760,000	0.0513
	Lee Chin Guan	900,000	–	–	900,000	0.0262
	Dato' Chang Kat Kiam	166,435	–	–	166,435	0.0048
	Tan Yoke Kong	15,000	–	–	15,000	0.0004
	Lee Huat Oon	5,000	–	–	5,000	0.0001
	Wong Kong Ming	176,386	–	–	176,386	0.0051
3. Public Mutual Berhad, <i>a fellow subsidiary</i>	Tan Sri Dato' Sri Dr. Teh Hong Piow	–	–	5,400,000	5,400,000	90.0000
4. Winsure Company, Limited, <i>a subsidiary</i>	Tan Sri Dato' Sri Dr. Teh Hong Piow	–	–	15,500	15,500	96.8750

Tan Sri Dato' Sri Dr. Teh Hong Piow, by virtue of his direct and indirect interests of 807,992,846 shares in Public Bank Berhad, is also deemed interested in the shares of the Company and its associated corporations as disclosed above, to the extent Public Bank Berhad has interests.

(b) Long positions in underlying shares of the Company and an associated corporation

Interests in	Name of director	Number of shares attached to the share options	Exercise price	Exercise period
1. The Company	Tan Yoke Kong	1,928,000	HK\$7.29	10.6.2005 to 9.6.2015
	Lee Huat Oon	3,170,000	HK\$7.29	10.6.2005 to 9.6.2015
	Dato' Sri Tay Ah Lek	1,680,000	HK\$7.29	10.6.2005 to 9.6.2015
	Dato' Chang Kat Kiam	1,680,000	HK\$7.29	10.6.2005 to 9.6.2015
	Wong Kong Ming	4,000,000	HK\$7.29	10.6.2005 to 9.6.2015
	Dato' Yeoh Chin Kee	700,000	HK\$7.29	10.6.2005 to 9.6.2015
	Geh Cheng Hooi, Paul	700,000	HK\$7.29	10.6.2005 to 9.6.2015
	Lee Chin Guan	350,000	HK\$7.29	10.6.2005 to 9.6.2015

Interests in	Name of director	Number of shares attached to the share options	Exercise price	Exercise period
2. Public Bank Berhad	Dato' Sri Tay Ah Lek	4,500,000	RM6.37	24.2.2005 to 24.2.2008
		4,000,000	RM5.67	5.12.2005 to 24.2.2008
	<u>8,500,000</u>			
	Dato' Yeoh Chin Kee	2,025,000	RM6.37	24.2.2005 to 24.2.2008
		2,000,000	RM5.67	5.12.2005 to 24.2.2008
	<u>4,025,000</u>			
	Lee Chin Guan	1,125,000	RM6.37	24.2.2005 to 24.2.2008
		1,250,000	RM5.67	5.12.2005 to 24.2.2008
	<u>2,375,000</u>			
	Dato' Chang Kat Kiam	123,000	RM6.37	24.2.2005 to 24.2.2008
130,000		RM5.67	5.12.2005 to 24.2.2008	
<u>253,000</u>				

Interests in	Name of director	Number of shares attached to the share options	Exercise price	Exercise period
2. Public Bank Berhad (continued)	Tan Yoke Kong	30,000	RM6.37	15.2.2005 to 24.2.2008
		40,000	RM5.67	5.12.2005 to 24.2.2008
		<u>70,000</u>		
	Lee Huat Oon	20,000	RM6.37	15.2.2005 to 24.2.2008
		30,000	RM5.67	5.12.2005 to 24.2.2008
		<u>50,000</u>		
	Wong Kong Ming	8,000	RM4.92	17.6.2004 to 24.2.2008
		10,000	RM6.37	16.2.2005 to 24.2.2008
		25,000	RM5.67	5.12.2005 to 24.2.2008
			<u>43,000</u>	

Notes:

- The options to subscribe for Shares are only exercisable during certain periods as notified by the Board or the Share Option Committee to each grantee which the Company may in its absolute discretion determine from time to time before the expiry of the share options on 9 June 2015.

2. The options to subscribe for ordinary shares of RM1.00 each in Public Bank Berhad were first granted on 10 April 1998 under the Public Bank Berhad Employees' Share Option Scheme (the "PBB ESOS"). Following approvals from the relevant authorities and the shareholders of Public Bank Berhad at the extraordinary general meetings held on 20 May 2002, 20 April 2004 and 30 March 2005, the PBB ESOS has been extended for a total of five years to 25 February 2008. Hence, the exercise period of the options has also been extended up to and including 24 February 2008. The options are exercisable subject to the terms of the PBB ESOS.
-
- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.
 - (c) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Enlarged Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group since 31 December 2005, the date to which the latest published audited consolidated financial statements of the Group were made up.
 - (d) As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group.

3. INTERESTS OF SHAREHOLDERS

- (a) As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following person (other than the interests of Tan Sri Dato' Sri Dr. Teh Hong Piow as disclosed above) had an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long positions

Name	Capacity	Number of Shares	Percentage of interest in issued share capital
Public Bank Berhad	Beneficial owner	819,473,920	74.9133

- (b) Save as disclosed in this circular, so far as is known to the Directors, no person had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, had direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such share capital as at the Latest Practicable Date.

4. MATERIAL CONTRACTS

Within the two years immediately preceding the Latest Practicable Date, the following agreements, being contracts not entered into in the ordinary course of business, have been entered into by members of the Enlarged Group and are or may be material:

- (a) the Share Purchase Agreement;
- (b) the underwriting agreement dated 17 February 2006 between the Company and Public Bank Berhad relating to the underwriting and other arrangements in respect of the Rights Issue; and

- (c) the facility agreement dated 14 February 2006 entered into between the Company, Barclays Capital and Barclays Bank PLC.

5. LITIGATION

A claim for approximately HK\$16 million was brought against a subsidiary of ACB, Asia Financial (Securities) Ltd. (“AFS”) in the Court of First Instance in 2000 by a client of AFS (the “Plaintiff”) alleging that AFS is liable for compensation on a loss of profit suffered by the Plaintiff (“the Claim”). On about 21 April 2006, AFS and the Plaintiff have agreed terms of settlement. The deed of indemnity mentioned below will cover the amount to be payable by AFS pursuant to the terms of settlement.

A deed of indemnity shall be entered into between, inter alia, AFH and AFS upon Completion, under which AFH shall agree to indemnify AFS immediately on demand in respect of any amount finally judicially determined by a court to be payable by AFS to the Plaintiff in respect of the Claim, any amount agreed to be payable by AFS to the Plaintiff in full and final settlement of the Claim, and any costs incurred by AFS in connection with the Claim, subject to a cap of HK\$37 million.

Save as disclosed above, as at the Latest Practicable Date, no member of the Enlarged Group is engaged in any litigation or arbitration proceedings of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

6. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Enlarged Group which is not determinable by the employer within one year without payment of compensation other than statutory compensation.

7. DIRECTORS’ INTEREST IN COMPETING BUSINESS

Tan Sri Dato’ Sri Dr. Teh Hong Piow and Dato’ Sri Tay Ah Lek are also directors of Public Bank Berhad, which is also engaged in the provision of financing for licensed public vehicles, mortgage loans and the taking of deposits from customers in Hong Kong through its fully licensed branch in Hong Kong.

Tan Sri Dato’ Sri Dr. Teh Hong Piow is deemed to be a substantial shareholder of Public Bank Berhad by virtue of his interests in Public Bank Berhad.

The provision of financing for licensed public vehicles undertaken by Public Bank Berhad, Hong Kong Branch and Public Finance is referred by a wholly-owned subsidiary of the Company, Winton Motors, Limited and other taxi dealers. The terms and conditions of the taxi financing loans are market driven and agreed at arm's length basis between the hirers and the financiers. The terms and conditions of other businesses of Public Finance and Public Bank Berhad, Hong Kong Branch, are also market driven.

8. QUALIFICATIONS AND CONSENTS OF EXPERTS

- (a) The following are the qualifications of the experts who have given their opinions and advice which are included in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants
C S Surveyors Limited	Property Valuer
Commerce & Finance Law Offices	PRC Lawyers

- (b) Each of Ernst & Young, C S Surveyors Limited and Commerce & Finance Law Offices has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to, its name, its letter, report, legal opinion and/or valuation certificates (as the case may be), and in the form and context in which they are included in this circular.
- (c) As at the Latest Practicable Date, none of Ernst & Young, C S Surveyors Limited and Commerce & Finance Law Offices had any shareholding, directly or indirectly, in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.
- (d) As at the Latest Practicable Date, none of Ernst & Young, C S Surveyors Limited and Commerce & Finance Law Offices had any interest, directly or indirectly, in any asset which had been acquired, or disposed of by, or leased to any member of the Enlarged Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group since 31 December 2005, the date to which the latest published audited consolidated financial statements of the Group were made up.

9. MISCELLANEOUS

- (a) The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is situate at 1105-7, Wing On House, 71 Des Voeux Road Central, Hong Kong.
- (c) The joint company secretaries of the Company are (i) Mr. Tan Yoke Kong, a Fellow of the Association of Chartered Certified Accountants, United Kingdom and an Associate of the Institute of Chartered Secretaries and Administrators, United Kingdom; and (ii) Ms. Chan Sau Kuen, a Fellow of the Institute of Chartered Secretaries and Administrators, United Kingdom and a Fellow of The Hong Kong Institute of Chartered Secretaries.
- (d) The qualified accountant of the Company is Mr. Mak Chi Leung, Paul, a Certified Public Accountant and a Fellow of the Association of Chartered Certified Accountants, United Kingdom. He also holds a Master of Business Administration Degree.
- (e) The branch share registrar and transfer office of the Company in Hong Kong is Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the offices of Messrs. Woo, Kwan, Lee & Lo at 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong from the date of this circular up to and including 11 May 2006:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the letter from the Board, the text of which is set out on pages 5 to 13 of this circular;
- (c) the annual reports of the Company for the three years ended 31 December 2005;
- (d) the accountants' report from Ernst & Young on ACB for the three years ended 31 December 2005, the text of which is set out in Appendix II to this circular, and its related statement of adjustments;

- (e) the accountants' report from Ernst & Young dated 28 April 2006 in respect of the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix III to this circular;
- (f) the letter, valuation certificates and summary of valuation report from C S Surveyors Limited, the text of which is set out in Appendix V to this circular;
- (g) the PRC legal opinion dated 28 April 2006 issued by Commerce & Finance Law Offices referred to in Appendix V to this circular;
- (h) the letters of consent referred to under the paragraph headed "Qualifications and consents of experts" in this Appendix;
- (i) a copy of each of the material contracts referred to in the paragraph headed "Material contracts" in this Appendix; and
- (j) a copy of this circular.

NOTICE OF SPECIAL GENERAL MEETING



大眾金融控股有限公司*

PUBLIC FINANCIAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 626)

NOTICE IS HEREBY GIVEN that the special general meeting of Public Financial Holdings Limited (the “**Company**”) will be held on Tuesday, 23 May 2006 at 4:00 p.m. at Rose Room, Lower Level II, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) the conditional share purchase agreement made between the Company and Asia Financial Holdings Limited dated 14 February 2006 (“**Share Purchase Agreement**”) relating to the purchase by the Company of 100 per cent. of the issued share capital of Asia Commercial Bank Limited (a copy of the Share Purchase Agreement has been produced to this meeting and marked “A” and initialled by the chairman of the meeting for the purpose of identification) and all transactions contemplated under or incidental to the Share Purchase Agreement and all actions taken or to be taken by the Company pursuant thereto be and are hereby unconditionally approved, ratified and confirmed; and
- (b) any director of the Company be and is hereby authorised for and on behalf of the Company to do all such acts and things, to sign and execute all such other documents, deeds, instruments and agreements and to take such steps as such director may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Share Purchase Agreement or any of the transactions contemplated thereunder and all other matters incidental thereto, and to agree to any amendment to any of the terms of the aforesaid agreement which in the opinion of such director is in the interests of the Company.”

By Order of the Board
Tan Yoke Kong
Company Secretary

Hong Kong, 28 April 2006

* *For identification purpose only*

NOTICE OF SPECIAL GENERAL MEETING

Head Office and Principal Place of Business:

1105-7 Wing On House
71 Des Voeux Road Central
Hong Kong

Note:

A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, no later than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be).