JCG HOLDINGS LIMITED

Annual Report 2005

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Corporate Information

Board of Directors

Non-executive Chairman

Tan Sri Dato' Sri Dr. Teh Hong Piow
Chairman
Public Bank Berhad

Executive Directors

Tan Yoke Kong
Lee Huat Oon

Non-executive Directors

Dato' Sri Tay Ah Lek
Dato' Chang Kat Kiam
Wong Kong Ming

Independent Non-executive Directors

Dato' Yeoh Chin Kee
Geh Cheng Hooi, Paul
Lee Chin Guan

Joint Secretaries

Tan Yoke Kong
Chan Sau Kuen

Registered Office

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

1105-7 Wing On House
71 Des Voeux Road Central
Hong Kong
Telephone : (852) 2525 9351
Facsimile : (852) 2845 0681
Websites : www.jcg.com.hk
www.publicfinance.com.hk

Share Listing

Main Board of The Stock Exchange of Hong Kong Limited
Stock Code : 626

Principal Registrar

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch Registrar

Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong
Telephone : (852) 2980 1333
Facsimile : (852) 2810 8185

Auditors

Ernst & Young
Certified Public Accountants

Legal Advisers

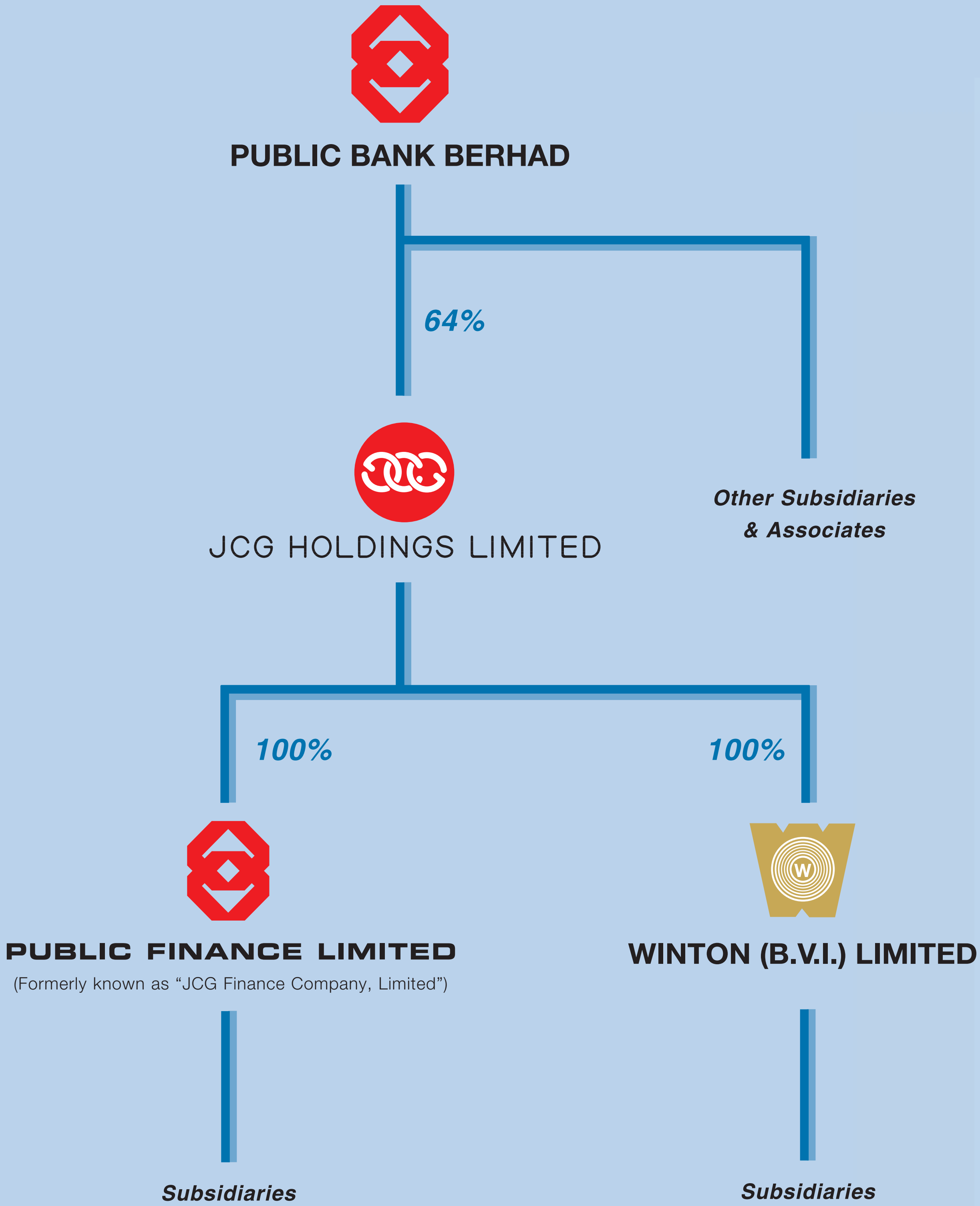
Charles Yeung Clement Lam Liu & Yip
Deacons

Principal Bankers

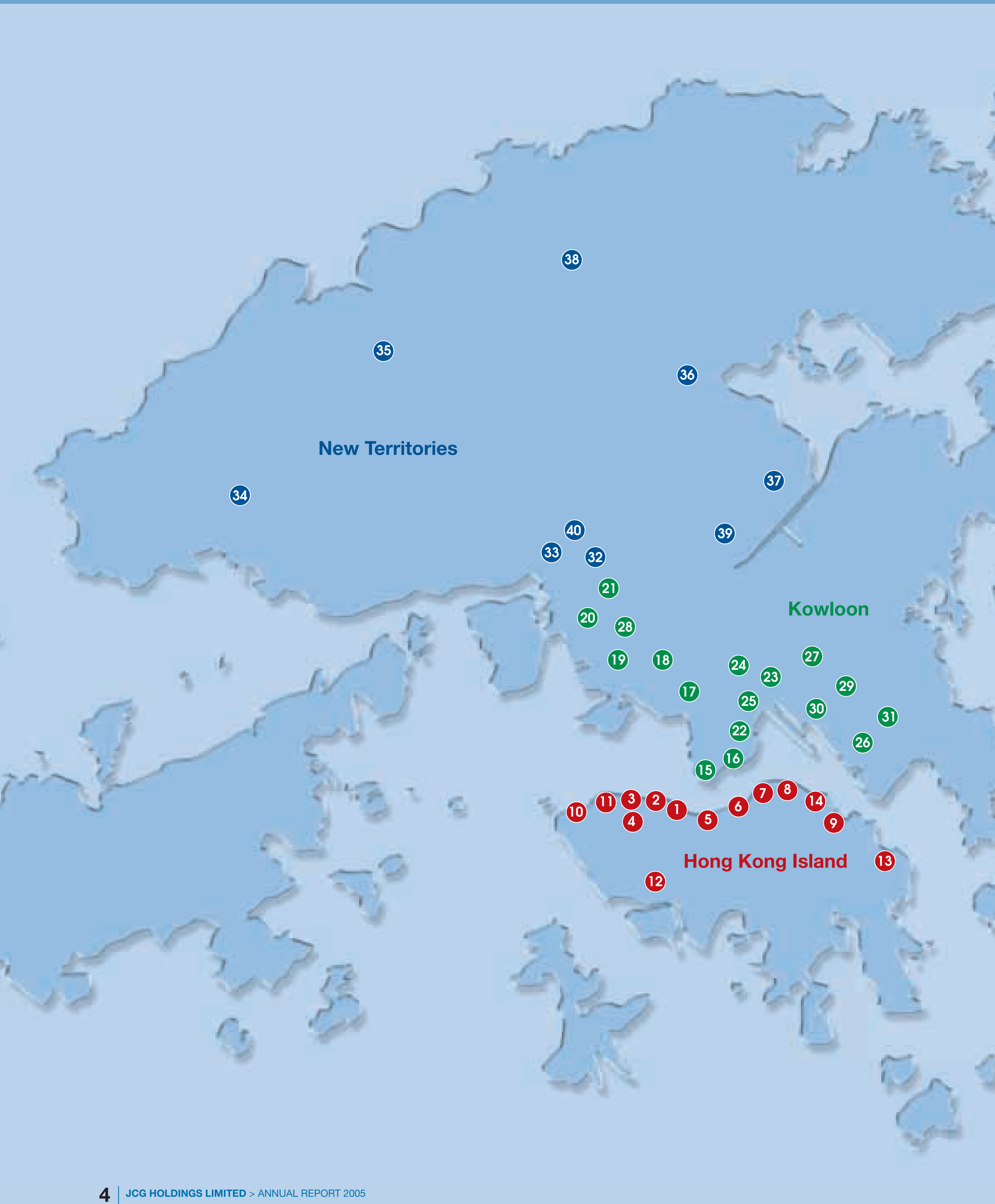
Bank of China (Hong Kong) Limited
Bumiputra-Commerce Bank Berhad
Industrial and Commercial Bank of China (Asia) Limited
Oversea-Chinese Banking Corporation Limited
Public Bank Berhad
Scotiabank (Hong Kong) Limited
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation Limited

Group Structure

8 February 2006



Public Finance Limited – Branch Network as at 8 February 2006



Public Finance Limited – Branch Network as at 8 February 2006

Hong Kong Island

1 **Landmark Branch**
Room 1905, Gloucester Tower
The Landmark, Central
Tel: 25224067 Fax: 25373623
Manager: Rodriguez Lolita H

2 **Queen's Road Central Branch**
1/F, Parker House
72 Queen's Road Central
Tel: 25266415 Fax: 28779088
Manager: Wong Kai Ip Jimmy

3 **Central Branch**
M/F, Chung Nam House
59 Des Voeux Road Central
Tel: 25248676 Fax: 28779084
Manager: Leung Kwok Fai Eric

4 **Wing On House Branch**
Room 1109-10, Wing On House
71 Des Voeux Road Central
Tel: 25245603 Fax: 25372909
Manager: Villareal Ma Aurora B

5 **Wanchai Branch**
G/F, 170 Hennessy Road
Tel: 25746245 Fax: 28936653
Manager: Tong Woon Shing

6 **Tin Lok Lane Branch**
G/F, Foo Tak Building
365 Hennessy Road
Tel: 28917028 Fax: 28933769
Manager: Ho Sau Yan

7 **Causeway Bay Branch**
1/F, Coasia Building
496-498 Lockhart Road
Tel: 28936575 Fax: 28932770
Manager: Lau Kan So Ivan

8 **North Point Branch**
Shop No.1, G/F, Wah Hing Building
449-455 King's Road
Tel: 25610160 Fax: 28563647
Manager: Louie Kin Cheong Daniel

9 **Shaukeiwan Branch**
G/F, 134 Shaukeiwan Road
Tel: 25670461 Fax: 28858501
Manager: Chan Siu Sung Jeffery

10 **Shek Tong Tsui Branch**
Shop G1, Hong Kong Plaza
188 Connaught Road West
Tel: 28176125 Fax: 28177618
Manager: Li Wai Yin

11 **Western District Branch**
G/F, 161 Des Voeux Road West
Tel: 25479148 Fax: 25461142
Manager: Wu Kin Sang Wilson

12 **Aberdeen Branch**
Shop A, G/F, Kong Kai Building
184-188 Aberdeen Main Road
Tel: 25538231 Fax: 25543897
Manager: Ng Siu Kwan Arthur

13 **Chai Wan Branch**
G/F, Flat B, 77 Walton Estate
341-343 Chai Wan Road
Tel: 25578003 Fax: 25574088
Manager: Kam Ying Wah

14 **Quarry Bay Branch**
G/F, 14 Hoi Kwong Street
Tel: 25166368 Fax: 25790084
Manager: Man Wing Sun Ethan

Kowloon

15 **Star House Branch**
Basement, Shop B9-B10
Star House Plaza, TST
Tel: 27308395 Fax: 27302346
Manager: Ho Mei Yu Denise

16 **Tsimshatsui Branch**
Shop No. 51-53
1/F, Harbour Crystal Centre
100 Granville Road, TST East
Tel: 23693236 Fax: 23110433
Manager: Lai Chung Wai Danny

17 **Jordan Road Branch**
Shop B, G/F, Dao Hing Building
34 Jordan Road
Tel: 27364711 Fax: 23148432
Manager: Ho Kwok Sin Tom

18 **Nathan Road Branch**
G/F, 480 Nathan Road
Tel: 27715285 Fax: 27704127
Manager: Leung Kwok Chung Soloman

19 **Mongkok Branch**
G/F, JCG Building
16 Mongkok Road
Tel: 23940253 Fax: 27875630
Manager: Cheng Ho Fat Ricky

20 **Shamshuipo Branch**
G/F, Shop B, Wing Sing Building
27 Castle Peak Road
Tel: 27282347 Fax: 27299685
Manager: Kwan Wai Choi Samuel

21 **Cheung Sha Wan Branch**
Unit 105, 1/F
Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Tel: 27445416 Fax: 27853634
Manager: Yuen Chuk Kwan Raymond

22 **Hunghom Branch**
G/F, 130 Ma Tau Wai Road
Tel: 23344307 Fax: 27644876
Manager: Cheung Chu Ming Albert

23 **Sanpokong Branch**
G/F, 92 Shung Ling Street
Tel: 23283175 Fax: 23254504
Manager: Wong Chun Pui Paul

24 **Kowloon City Branch**
G/F, 31 Lion Rock Road
Tel: 23824893 Fax: 27164819
Manager: Li Kit Shing Joe

25 **Tokwawan Branch**
Shop 9-10, G/F
Chong Chien Court
355 Tokwawan Road
Tel: 23657061 Fax: 27642832
Manager: Miu Ka Lok Patrick

26 **Kwun Tong Branch**
G/F, 367 Ngau Tau Kok Road
Tel: 23440264 Fax: 27635427
Manager: Cheng Man Kwong Ringo

27 **Wong Tai Sin Branch**
G/F, 89 Fung Tak Road
Tel: 23205112 Fax: 27260106
Manager: Ng Chung Tak

28 **Prince Edward Branch**
G/F, 751 Nathan Road
Tel: 23803260 Fax: 23804100
Manager: Leung Sze Wan Irene

29 **Ngau Tau Kok Branch**
Shop 29, G/F
Wang Kwong House
33 Ngau Tau Kok Road
Tel: 27578299 Fax: 27578737
Manager: Lam Kwan Chee Evans

30 **Kowloon Bay Branch**
Unit 2B, G/F
Fook Hong Industrial Building
19 Sheung Yuet Road
Tel: 27567320 Fax: 27585706
Manager: Tong Ka Ling Tony

31 **Tseung Kwan O Branch**
Shop G29, G/F
Metro City Plaza, Phase II
Tel: 31944312 Fax: 31944377
Manager: Ho Wai Ming Ian

New Territories

32 **Kwai Chung Branch**
Shop 301, 3/F
Kwai Chung Plaza
7-11 Kwai Foo Road
Tel: 24200121 Fax: 24850590
Manager: Ho Kam Ming

33 **Tsuen Wan Branch**
G/F, 281 Sha Tsui Road
Tel: 24934187 Fax: 24174497
Manager: Law Shue Sum Dennis

34 **Tuen Mun Branch**
G/F Shop 7, Mei Hang Building
Kai Man Path
Tel: 24572901 Fax: 24402503
Manager: Chan Chiu Ming Peter

35 **Yuen Long Branch**
G/F, 182 Main Road
Tel: 24762146 Fax: 24759903
Manager: Leung Chiu Kwong

36 **Tai Po Branch**
G/F, 86 Kwong Fuk Road
Tel: 26565207 Fax: 26577019
Manager: Kan Yuk Lun Taylor

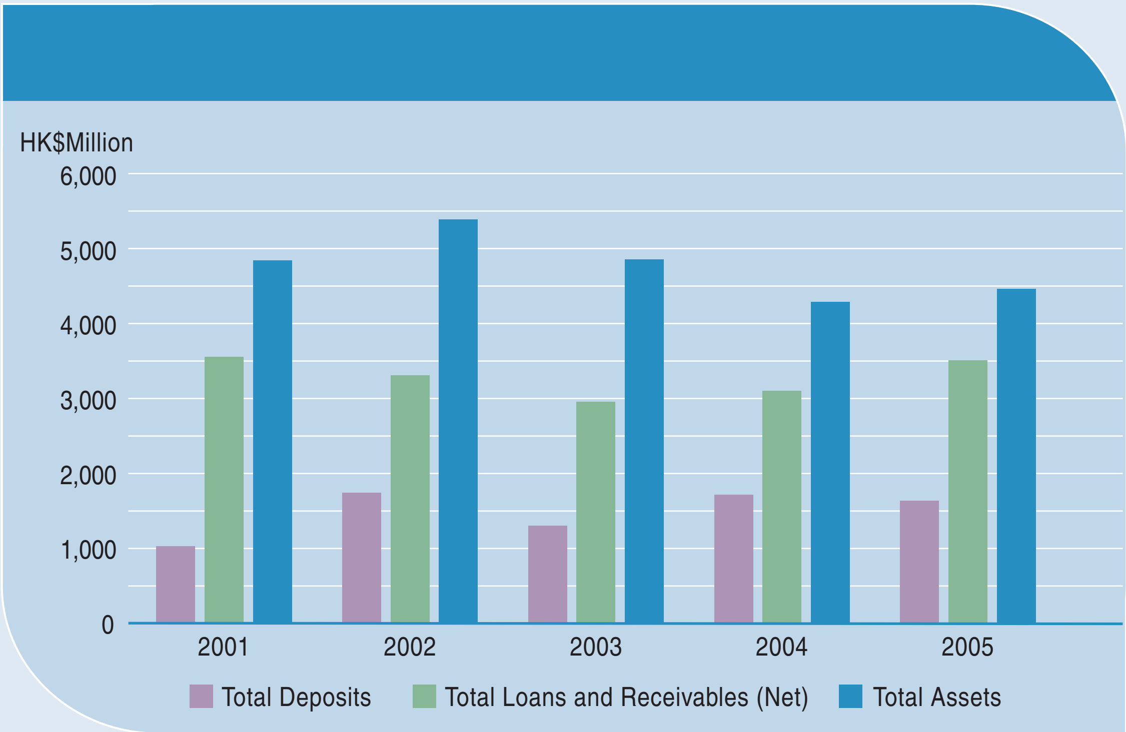
37 **Shatin Branch**
Shop 10A, 11A & B
Lucky Plaza Commercial Centre
Tel: 26995633 Fax: 26914588
Manager: Lee Man Fai Eric

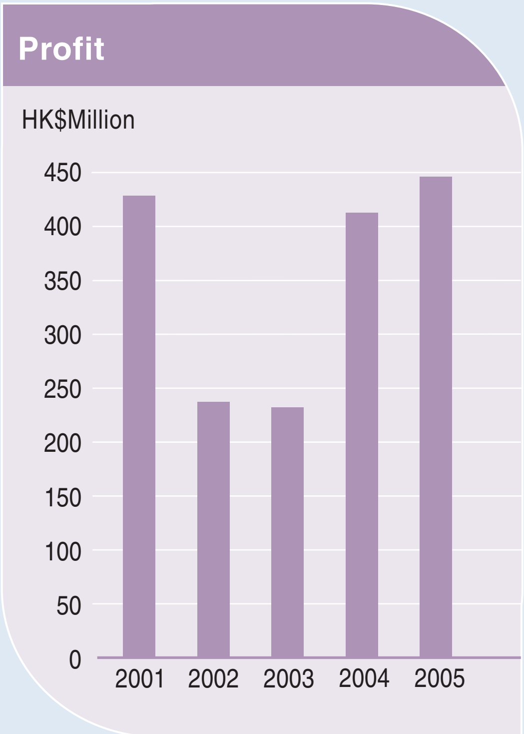
38 **Sheung Shui Branch**
G/F, 99 San Fung Avenue
Tel: 26732729 Fax: 26739278
Manager: Yuen Chak Sang Michael

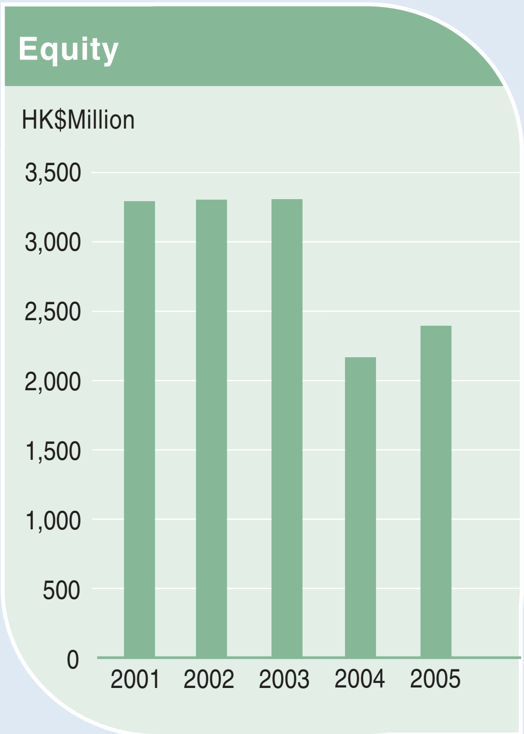
39 **Tai Wai Branch**
Shop 2C, G/F
11-13 Chik Fai Street
Tel: 26092611 Fax: 26094088
Manager: Cheung Wa Wai Victor

40 **Nan Fung Centre Branch**
Rm 1523, Nan Fung Centre
264-298 Castle Peak Road
Tsuen Wan
Tel: 24141198 Fax: 24131624
Manager: Chow Koon Ping Danny

Five-year Financial Summary







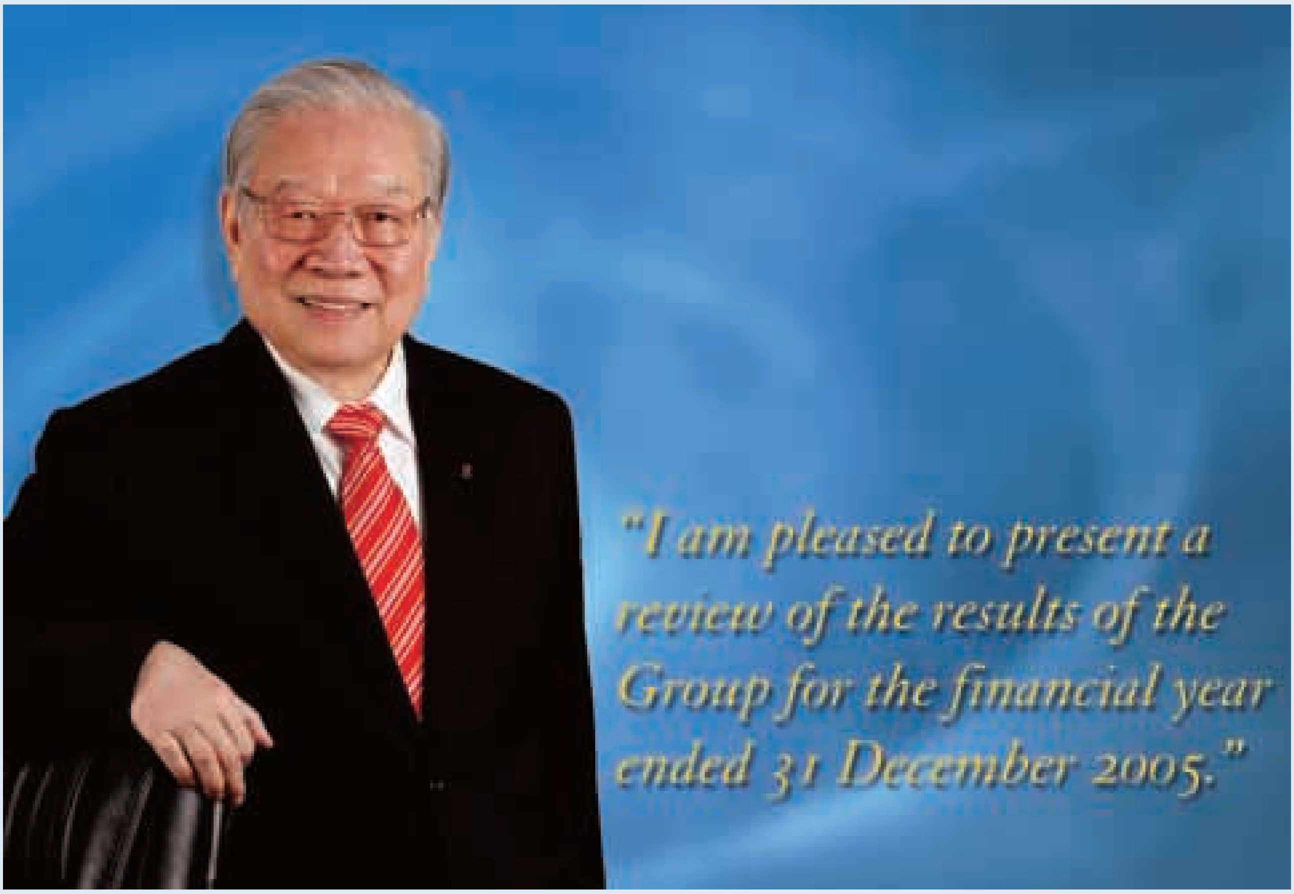
2005 Financial Highlights

Profit for the year:	HK$446.3 million
Loans and advances and receivables (net):	HK$3,512.3 million
Customer deposits:	HK$1,642.0 million
Equity:	HK$2,393.4 million
Earnings per share:	
Basic	HK$0.623
Diluted	HK$0.622
Total dividends per share:	HK$0.750

A summary of the results and of the assets and liabilities of JCG Holdings Limited and its subsidiaries for the last five financial years, as extracted from the published audited financial statements, is set out below:

	For the year ended 31 December				
	2005	2004	2003	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Loans and advances and receivables (net)	**3,512,255**	3,103,027	2,961,573	3,312,525	3,559,064
Other assets	**951,167**	1,190,652	1,897,287	2,078,179	1,286,837
Total assets	**4,463,422**	4,293,679	4,858,860	5,390,704	4,845,901
Customer deposits	**1,641,978**	1,720,381	1,309,344	1,774,336	1,033,546
Declared dividend	**291,706**	283,104	141,552	–	–
Other liabilities	**136,304**	123,657	100,426	96,245	312,293
Total liabilities	**2,069,988**	2,127,142	1,551,322	1,870,581	1,345,839
Net assets	**2,393,434**	2,166,537	3,307,538	3,520,123	3,500,062
Equity	**2,393,434**	2,166,537	3,307,538	3,304,600	3,294,352
Minority interests	**–**	–	–	215,523	205,710
Total equity	**2,393,434**	2,166,537	3,307,538	3,520,123	3,500,062
Profit for the year	**446,297**	412,889	232,133	237,338	428,832
Basic earnings per share (HK$)	**0.623**	0.583	0.328	0.335	0.607
Diluted earnings per share (HK$)	**0.622**	–	–	–	–

Note: The special dividends of HK$211.5 million and HK$1,238.6 million were paid in 2005 and 2004 respectively.



Tan Sri Dato' Sri Dr. Teh Hong Piow, Chairman

Group Performance

During the year under review, Hong Kong's consumer sentiment continued to improve with favourable economic trends, gradual improvement in unemployment rate, recovery in property prices and growth in inbound tourists and related retail industries. However, the operating environment for financial institutions in the banking industry remained challenging as demand for consumer financing remained soft. The competition remained keen amongst the financial institutions with high liquidity within the banking industry and with the sharing of positive credit data for consumer loans. The gap between Hong Kong dollar and US dollar interest rates narrowed markedly after the Hong Kong Monetary Authority (the "HKMA") made several refinements to the operation of the Linked Exchange Rate System in May 2005. Hong Kong Inter-bank Interest Rates rose after the refinements, prompting financing institutions to offer higher interest rates to depositors, which in turn lead to increased funding costs.

The adoption of new accounting standards had reduced the earnings resulted from the cessation of amortisation of negative goodwill of HK$18.4 million and provision of share option benefits of HK$45.8 million in the profit and loss account for the year. Despite the aforesaid accounting exceptions, the Group recorded a profit after tax of HK$446.3 million for the year ended 31 December 2005, representing a moderate increase of 8.1% or HK$33.4 million when compared to HK$412.9 million in the previous year. Accordingly, the Group's basic earnings per share increased to HK$0.62 from HK$0.58 in the previous year. The Directors declared the second interim dividend of HK$0.40 per share on 30 December 2005 and did not recommend the payment of a final dividend for the year. Together with the first interim dividend of HK$0.06 per share and the special dividend of HK$0.29 per share paid in September 2005, the total dividends for the year 2005 amounted to HK$0.75 per share.

Group Performance (Continued)

The increase in profit after tax in 2005 when compared to the previous year was mainly attributed to the increase in net interest income, the decrease in operating expenses and the decrease in impairment loss and allowances for impaired financial assets in the same 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 from the reallocation of certain fee income from non-interest income of HK$39.7 million upon prospective adoption of new accounting standards and the growth in loans and advances. Interest expense increased by 173.9% or HK$23.2 million to HK$36.6 million mainly due to the growth in average customer deposits during the year after the distribution of the special dividend to shareholders in 2004, and the increase in interest rates offered on customer deposits. During 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. The Group continued to exercise effective control over its operating costs and maintained a low cost to operating income ratio of 23.5% for the year 2005. 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.

As at 31 December 2005, the Group's total gross loans and advances increased by 10.3% or HK$334.1 million to HK$3,583.8 million from HK$3,249.7 million at the end of December 2004 after bad debts written off amounting to HK$221.5 million. The growth in gross loans and advances arose mainly from consumer financing and taxi loans. The Group's customer deposits decreased by 4.6% or HK$78.4 million to HK$1,642.0 million as at 31 December 2005 from HK$1,720.4 million as at 31 December 2004 after withdrawal of a deposit of HK$223.4 million from a connected customer. The equity of the Group stood high at HK$2,393.4 million as at 31 December 2005.

The Group will continue to relocate branches to more prominent locations with ease of access by customers and to look for strategic locations to open new branches. At the same time, the Group will enhance customer satisfaction and loyalty by providing better service quality through its wide branch network of 40 branches.

Re-branding of Wholly-owned Subsidiary

A wholly-owned subsidiary, JCG Finance Company, Limited ("JCG Finance"), has changed its name to Public Finance Limited ("Public Finance") in January 2006 to reflect the corporate identity of the parent company, Public Bank Berhad ("Public Bank"). Public Bank Group is the third largest banking group in Malaysia in terms of total assets. Public Bank was the only Malaysian Company listed in the Forbes "World's 400 Best Big Companies" in 2004 and has been recognised by numerous international awards as the Best Bank in Malaysia for many years. This change of name is a strategic move to further enhance the image and reputation of Public Bank Group's business operations in Hong Kong.

Acknowledgement

On behalf of the Board of Directors, I wish to take this opportunity to express our appreciation to the management and staff of the Group for their commitment, dedication and perseverance. On behalf of the management and staff of the Group, I also wish to express my sincere thanks to our customers for their invaluable patronage, our shareholders for their continued confidence in and support of the Group, and the HKMA and other relevant authorities for their invaluable advice, guidance and support.

Tan Sri Dato' Sri Dr. Teh Hong Piow
Chairman

(updated to 8 February 2006)

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 will be payable 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.

Financial Review (Continued)

Financial analysis (Continued)

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 JCG Finance, a wholly-owned subsidiary of the Company, 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 will be payable 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 JCG Finance decreased slightly to 38.52% at the end of December 2005 when compared to 38.69% at the end of December 2004.

Operational Review (Continued)

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.

Prospects

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, the Group will focus on selected market segments to expand its customer base and market share in consumer loans through aggressive marketing and promotional activities. The Group will continue to emphasize training a skilled workforce so as to improve their marketing skills and strengthen the quality of customer service. The Group 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, the Group is poised to further grow its consumer financing business in 2006 barring any unforeseen circumstances. Nevertheless, the Group will further strengthen its credit risk management and apply stringent credit criteria for loan assessments to ensure good asset quality.

The Group will also continue to promote its taxi financing and taxi trading businesses with its established panel of financiers and taxi dealers.

Corporate Governance Practices

The board of directors of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. With effect from 1 January 2005, the Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "Code on CGP") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for certain deviations in respect of the service term and rotation of directors. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

JCG Finance is a deposit taking company incorporated in Hong Kong and is under the supervision of the Hong Kong Monetary Authority ("HKMA"). Its board of directors is fully committed to adopting and implementing the principles and best practices in corporate governance as set out in the guidelines on "Corporate Governance of Locally Incorporated Authorised Institutions" issued by the HKMA. Specialised committees with clear terms of references and specific authorities delegated by its board of directors have been set up by JCG Finance.

Directors' Securities Transactions

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. All the directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year.

Board of Directors

The board of directors of the Company comprises:

Executive Directors	:	Tan Yoke Kong Lee Huat Oon
Non-executive Directors	:	Tan Sri Dato' Sri Dr. Teh Hong Piow, Chairman Dato' Sri Tay Ah Lek Dato' Chang Kat Kiam Wong Kong Ming
Independent Non–executive Directors	:	Dato' Yeoh Chin Kee Geh Cheng Hooi, Paul Lee Chin Guan

The non-executive directors provide the Group with a wide range of expertise and knowledge in the banking and finance sector. The three independent non-executive directors are persons of high calibre, with academic and professional qualifications in the fields of accounting, law, banking and business management. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the board. Each independent non-executive director gives an annual confirmation of his independence to the Company, and the Company considers these directors to be independent under Rule 3.13 of the Listing Rules.

Corporate Governance Practices (Continued)

Board of Directors (Continued)

Mr. Geh Cheng Hooi, Paul has been serving the board for more than 9 years. Mr. Geh is a man of integrity and a certified public accountant by profession. The board appreciates his valuable advice given and contribution made in the past years and believes that he continues to be independent in character and judgement as recommended by the Nomination Committee. Mr. Geh will be proposed for re-election at the forthcoming annual general meeting.

During the year, four full board meetings were held and the attendance of each director is set out as follows:

Name of director	Number of board meetings attended in 2005	Attendance rate
Tan Sri Dato' Sri Dr. Teh Hong Piow, Chairman	4/4	100%
Tan Yoke Kong	4/4	100%
Lee Huat Oon	4/4	100%
Dato' Sri Tay Ah Lek	4/4	100%
Dato' Chang Kat Kiam	4/4	100%
Wong Kong Ming	4/4	100%
Dato' Yeoh Chin Kee	4/4	100%
Geh Cheng Hooi, Paul	2/4	50%
Lee Chin Guan	4/4	100%

The board formulates overall strategy of the Group, monitors its financial performance and maintains effective oversight over the management. The board members are fully committed to their roles and have acted in good faith to maximise the shareholders' value in the long run, and have aligned the Group's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The board meeting schedule for a year is planned in the preceding year. At least 14 days notice of all board meetings is given to all directors and they can include matters for discussion in the agenda if the need arises. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all relevant rules and regulations are followed. The agenda and the accompanying board papers are sent to all directors at least 3 days before the date of every board meeting so that the directors have the time to review the documents. Minutes of every board meeting are circulated to all directors for their perusal prior to confirmation of the minutes at the following board meeting.

Every board member is entitled to have access to board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required. The Company Secretary continuously updates all directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practice.

Corporate Governance Practices (Continued)

Chairman and Chief Executive

The Chairman and the Chief Executive of the Company are Tan Sri Dato' Sri Dr. Teh Hong Piow and Mr. Tan Yoke Kong respectively. The roles of the Chairman and the Chief Executive are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the board is responsible for the leadership and effective running of the board, while the Chief Executive is delegated with the authorities to manage the business of the Group in all aspects effectively. The division of responsibilities between the Chairman and the Chief Executive have been clearly established and set out in writing.

Appointment and Re-election of Directors

The Company has not fixed the term of appointment for non-executive directors. However, they are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the bye-laws of the Company (the "Bye-laws"). This deviates from the provision A.4.1 of the Code on CGP which requires that non-executive directors be appointed for a specific term. The board has discussed and concluded that the current practice of appointing non-executive directors without specific terms but otherwise subject to rotation and re-election by shareholders was fair and reasonable, and does not intend to change the current practice at the moment.

According to the Bye-laws, one-third of the directors for the time being shall retire from office by rotation at each annual general meeting. As there are nine directors, one-third of them shall retire subject to rotation, and barring unforeseen resignation/retirement during a year, each director is effectively appointed for an average term of not more than 3 years. Any director appointed to fill a casual vacancy or as an addition to the board shall hold office only until the next annual general meeting of the Company and shall retire and be subject to re-election. The above practice deviates from the provision A.4.2 of the Code on CGP which requires all directors appointed to fill casual vacancy be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, be subject to retirement by rotation at least once every three years. Having reviewed the relevant Bye-laws, the board proposed to put forth a special resolution to amend the Bye-laws to comply with the said code provision.

Corporate Governance Practices (Continued)

Remuneration Committee

The Remuneration Committee of the Company comprises two Non-executive Directors and three Independent Non-executive Directors.

The Remuneration Committee was formed in January 2005 and meetings shall be held at least once a year. One meeting was held in 2005. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2005	Attendance rate
Tan Sri Dato' Sri Dr. Teh Hong Piow, Chairman	1/1	100%
Dato' Sri Tay Ah Lek	1/1	100%
Dato' Yeoh Chin Kee	1/1	100%
Geh Cheng Hooi, Paul	1/1	100%
Lee Chin Guan	1/1	100%

At the meeting held during the year, the overall pay trend in Hong Kong of 2005 was reviewed and noted.

The Company has adopted a share option scheme on 28 February 2002, which serves as an incentive to attract, retain and motivate talented eligible staff, including the directors. Details of the share option scheme are set out in note 28 to the financial statements. The emolument payable to directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Remuneration Committee. Details of the directors' remuneration are set out in note 8 to the financial statements.

The major roles and functions of the Group's Remuneration Committee are as follows:

1. To review annually and recommend to the board the overall remuneration policy for the directors, the Chief Executive and key senior management officers.

2. To review annually the performance of the executive directors, the Chief Executive and key senior management officers and recommend to the board specific adjustments in remuneration and/or reward payments.

3. To ensure that the level of remuneration for Non-executive Directors and Independent Non-executive Directors are linked to their level of responsibilities undertaken and contribution to the effective functioning of the board of the respective companies in the Group.

4. To review and approve the compensation payable to executive directors, the Chief Executive and key senior management officers in connection with any loss or termination of their office or appointment.

5. To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct.

6. To ensure that no director is involved in deciding his own remuneration.

The terms of reference of the Remuneration Committee are posted on the Company's website.

Corporate Governance Practices (Continued)

Nomination Committee

The Nomination Committee of the Company comprises two Non-executive Directors and three Independent Non-executive Directors.

The Nomination Committee was formed in January 2005 and meetings shall be held at least once a year. One meeting was held in 2005. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2005	Attendance rate
Tan Sri Dato' Sri Dr. Teh Hong Piow, Chairman	1/1	100%
Dato' Sri Tay Ah Lek	1/1	100%
Dato' Yeoh Chin Kee	1/1	100%
Geh Cheng Hooi, Paul	1/1	100%
Lee Chin Guan	1/1	100%

At the meeting held during the year, the relevant provisions relating to appointment, re-election and removal of directors under the Code on CGP were reviewed and adopted except for the deviation from provision A.4.1 of the Code on CGP which requires Non-executive Directors to be appointed for a specific term. In addition, the promotions of two senior management staff were discussed and approved.

The major roles and functions of the Group's Nomination Committee are as follows:

1. To assess and recommend the appointment and re-appointment of directors and Chief Executive to the board.

2. To oversee the overall composition of the board, in terms of the appropriate size and skills, and the balance of authority among Executive Directors, Non-executive Directors and Independent Non-executive Directors through annual review.

3. To assess the independence of Independent Non-executive Directors.

4. To establish a mechanism for the formal assessment on the effectiveness of the board as a whole and the performances of each director, the Chief Executive and other key senior management officers.

5. To oversee the appointment, management succession planning and performance evaluation of key senior management officers.

The terms of reference of the Nomination Committee are posted on the Company's website.

Accountability and Audit

The directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2005, the directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

Audit Committee

The Audit Committee of the Company comprises one Non-executive Director and three Independent Non-executive Directors.

The Audit Committee shall meet at least twice a year. Four meetings were held during the year. The minutes of the Audit Committee meetings were tabled to the board for noting and for action by the board where appropriate. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2005	Attendance rate
Dato' Yeoh Chin Kee, Chairman	4/4	100%
Dato' Sri Tay Ah Lek	4/4	100%
Geh Cheng Hooi, Paul	2/4	50%
Lee Chin Guan	4/4	100%

During the meetings held in 2005, the Audit Committee had performed the following work:

(i) reviewed the financial reports for the year ended 31 December 2004 and for the six months ended 30 June 2005;

(ii) reviewed the findings and recommendations of the Internal Audit Department on the operations and performance of the branches and departments of JCG Finance and other subsidiaries of the Group;

(iii) reviewed the effectiveness of internal control system;

(iv) reviewed the On-Site Examination Report on JCG Finance issued by the HKMA and the Audit Report on the examination of the computer centre operations of JCG Finance issued by the Internal Auditors of Public Bank;

(v) reviewed the external auditors' statutory audit plan and engagement letter;

(vi) reviewed the management letter from the external auditors in relation to the audit of the Group for the year ended 31 December 2004;

(vii) reviewed and recommended for approval by the board the 2005 audit scope and fees; and

(viii) reviewed the connected transactions entered into by the Group during the year.

Accountability and Audit (Continued)

Audit Committee (Continued)

The major roles and functions of the Group's Audit Committee are as follows:

1. To consider the appointment of the external auditors, the audit fees, and any questions of resignation or dismissal of the external auditors of the Group.

2. To discuss with the external auditors the nature and scope of the audit.

3. To review the interim and annual financial statements before submission to the board of directors.

4. To discuss problems and reservations arising from the interim review and final audit, and any matters the auditors may wish to discuss.

5. To review the external auditors' management letters and management's response.

6. To review the Group companies' statements on internal control systems (where one is included in the annual report) prior to endorsement by the respective board of directors.

7. To review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group.

8. To consider the major findings of internal investigations and management's response.

The terms of reference of the Audit Committee are posted on the Company's website.

Auditors' Remuneration

During the year under review, the remuneration paid to the Company's auditors, Messrs Ernst & Young, is set out as follows:

Services rendered	**Fees paid/payable HK$'000**
Audit services	1,473
Non-audit services i.e. taxation	56
	1,529

Accountability and Audit (Continued)

Internal Control

The board is responsible for overseeing the Group's system of internal controls. However, such a system is designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure, to achieve the business objectives of the Group. Accordingly, it can only provide reasonable assurance but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the system of internal controls when there are changes to business environment or regulatory guidelines.

The board is of the view that the system of internal controls in place for the year under review and up to the date of issuance of the annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders, customers and employees, and the Group's assets.

The management assists the board in the implementation of the board's policies and procedures on risk and control by identifying and assessing the risks faced, and involving in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

- The Management Committee is established by the board of JCG Finance to ensure the effectiveness of the daily operations and that the operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.

- The Audit Committee of the Company reviews internal control issues identified by the Internal Audit Department, external auditors, regulatory authorities and management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems. It also conducts review of the internal audit functions with particular emphasis on the scope of audits, quality of internal audits and independence of the Internal Audit Department of the Group. The minutes of the Audit Committee meetings are tabled to the board for noting and further action, where appropriate.

- The Internal Audit Department of JCG Finance monitors compliance with policies and procedures and the effectiveness of the internal control systems, and highlights significant findings in respect of any non-compliance. Audits are carried out on all branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report on the operational and management activities of these branches. The annual audit plan is reviewed and approved by the Audit Committee and the findings of the audits are submitted to the Audit Committee for review.

- The Credit Committee under JCG Finance is responsible for making decision on loan applications for all types of loan facilities within its discretionary powers, assisting the board of directors in formulating policy guidelines for JCG Finance's lending business, and recommending applications for loan facilities exceeding the discretionary powers of the Credit Committee to the board for approval.

Accountability and Audit (Continued)

Internal Control (Continued)

- The Assets and Liabilities Committee under JCG Finance reviews and assesses the risk profile and capital structure of JCG Finance, sets the objectives for the asset and liability management function and implements the risk management policies approved by the board of JCG Finance.

- Operational committees have also been established under JCG Finance with appropriate authorities to ensure effective management and supervision of the Group's core areas of business operations. These committees include the Human Resources Committee and the Information Technology Committee.

  The Human Resources Committee assists the board of directors in formulating and implementing human resources policies including staff recruitment, promotion, career development, performance appraisal and remuneration of all staff.

  The Information Technology Committee is responsible for establishing objectives, policies and strategies for the computerisation of the Group, recommending to the board of JCG Finance on major acquisitions of computer hardware and software, and monitoring the progress of implementation of all information technology related projects.

- The Finance Committee assists the board of directors of JCG Finance in the financial planning and budgeting process of the business of JCG Finance and the review of the business performance, statutory and half year audited accounts.

- Compliance Working Group of JCG Finance is established to review the relevant policies and guidelines issued from time to time by the HKMA and other regulatory authorities, to assess the impact of the relevant regulatory requirements on JCG Finance and to ensure that the relevant business units and/or departments comply with the relevant regulatory requirements and internal policy guidelines of business units and departments.

- The Anti-Money Laundering Committee of JCG Finance is responsible for ensuring that the Guidelines on Prevention of Money Laundering of JCG Finance are reviewed, updated and implemented accordingly, and suspicious cases referred from branches or identified from relevant reports are reviewed, and suspicious money laundering cases are reported to the Joint Financial Intelligence Unit accordingly.

Management of Risks

The respective boards of directors of the subsidiaries are responsible for the oversight of risks and approval of risk management policies. The Internal Audit Department of the Group performs regular audits to ensure compliance with the policies and reports directly to the Audit Committee.

Credit Risk

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

The Group has established policies and systems for the monitoring and control of credit risk. The Credit Committee of JCG Finance is responsible for monitoring of asset quality and the formulation of credit policies and management of credit risk through reviews of regular reports on credit exposures, which include exposure limits and the level of impairment allowances for impaired loans. The approval of loan transactions is delegated to the Credit Committee members and/or authorised Zone and Branch Managers subject to the set limits. The Internal Audit Department of the Group is responsible for appraising the effectiveness of credit controls. The Group continues to maintain a tight control on loan assessments and approvals and will continue to pursue a conservative and prudent policy in granting loans.

Market Risk

Market risk is the risk associated with changes in interest rates, foreign exchange rates, equity prices, commodity prices and government policies; and the effect that such changes may have on the positions taken on market risk related financial instruments, including both on and off balance sheet instruments, which may result in profits or losses to the Group.

The Group adopts a conservative view on exposure to market risk related financial instruments. The Group monitors its exposure to market risk on a regular basis and will take appropriate action to minimise its exposure to market risk. The Assets and Liabilities Committee of JCG Finance meets at least quarterly to review the balance sheet structure, interest rate risk management, liquidity management, and capital structure, allocation and planning. It evaluates the impact of alternative asset and liability management strategies, identifies the types of risks inherent in JCG Finance and assesses the vulnerability of its net interest income to these risks. The latest development in interest rates and foreign exchange rate movements, fiscal and monetary policies will be brought to the attention of the board of directors.

During the year, the Group did not trade in any market risk including currency risk related financial instruments. The market risk including currency risk exposure of the Group arising from both on and off balance sheet activities was considered immaterial. Accordingly, quantitative market risk including currency risk information is not disclosed.

Management of Risks (Continued)

Liquidity Risk

The main objectives of the Group's liquidity risk management are to ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund loan growth and to generate reasonable returns from available funds.

The Assets and Liabilities Committee of JCG Finance monitors its liquidity position as part of its ongoing assets and liabilities management, and sets up trigger limits to monitor liquidity risk. The balance between liquidity and profitability is carefully considered. The Accounts Department of the Group is responsible for the management of daily treasury operations, and to ensure availability of funds to fund loan growth and to meet contractual financial commitments.

Communications with Shareholders and Investors

The board recognises the importance of good communications with all shareholders. The Company's annual general meeting is a valuable forum for the board to communicate directly with the shareholders. The Chairman of the board as well as Chairmen of the Audit, Nomination and Remuneration Committees together with the external auditors are present to answer shareholders' questions. An annual general meeting circular is distributed to all shareholders at least 21 days before the annual general meeting. It sets out the procedures for demanding and conducting a poll and other relevant information of the proposed resolutions. The Chairman explains the procedures for demanding and conducting a poll again at the beginning of the annual general meeting and (except where a poll is demanded) reveals how many proxies for and against have been filed in respect of each resolution. The results of the poll, if any, will be published in the newspapers and on the Company's website.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Group. The Company has announced its annual and interim results in a timely manner within 20 days after the end of the relevant periods in 2005, which were well before the time limits as laid down in the Listing Rules.

The management personnel responsible for investor relations held regular meetings with equity research analysts, fund managers and institutional shareholders and investors.

The amendments to the Bye-laws were approved in the 2005 annual general meeting to reflect the changes brought by the new Listing Rules effective on 31 March 2004.

The market capitalisation of the Company as at 30 December 2005, the last trading day in 2005, was HK$5,943,504,958 (issued share capital: 729,264,412 shares at closing market price: HK$8.15 per share). The public float is around 36%.

The 2006 annual general meeting will be held at Queensway and Victoria Room, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 8 March 2006 at 10:00 a.m.

Tan Sri Dato' Sri Dr. Teh Hong Piow

Tan Sri Dato' Sri Dr. Teh Hong Piow, aged 75, is the founder and the Chairman and is a substantial shareholder of Public Bank, a commercial bank listed on Bursa Malaysia Securities Berhad and the holding company of the Company. He has more than 56 years of experience in the banking and finance industry. He was appointed a Non-executive Director and the Chairman of the Company in September 1991. He is currently the Chairman of the Remuneration Committee and the Nomination Committee of the Company. He is also the Non-executive Chairman of Public Finance. He had served in various capacities in public service bodies in Malaysia; he was a member of the Malaysian Business Council from 1991 to 1993; a member of the National Trust Fund from 1988 to 2001; a founder member of the Advisory Business Council since 2003; and is a member of the IPRM Accreditation Privy Council of Malaysia. He is a Fellow of several institutes which include the Institute of Bankers Malaysia; the Chartered Institute of Bankers, United Kingdom; the Institute of Administrative Management, United Kingdom; the Institute of Chartered Secretaries and Administrators, Australia; and the Malaysian Institute of Management. He also holds directorships in several other companies in the Public Bank Group.

Mr. Tan Yoke Kong

Mr. Tan Yoke Kong, aged 53, has more than 24 years of experience in the banking and finance industry. He was appointed an Executive Director of the Company in February 1992 and is the General Manager/Chief Executive of Public Finance. Mr. Tan is a Fellow of the Association of Chartered Certified Accountants, United Kingdom and an Associate of the Institute of Chartered Secretaries and Administrators, United Kingdom. He is currently the Vice-chairman of The DTC Association and is a member of the Deposit-taking Companies Advisory Committee in Hong Kong.

Mr. Lee Huat Oon

Mr. Lee Huat Oon, aged 43, has more than 18 years of experience in the banking and finance industry. He was appointed an Executive Director of the Company in June 1996 and is the Deputy General Manager/Alternate Chief Executive of Public Finance. He holds a degree in Accounting from the University of Malaya and is a Registered Accountant with the Malaysian Institute of Accountants.

Dato' Sri Tay Ah Lek

Dato' Sri Tay Ah Lek, aged 63, has 45 years of experience in the banking and finance industry. He was appointed a Non-executive Director of the Company in January 1995 and is a member of the Audit Committee, Remuneration Committee and Nomination Committee. He is the Managing Director of Public Bank.

Dato' Sri Tay Ah Lek holds a Master's degree in Business Administration from Henley, United Kingdom and attended the Advanced Management Program at Harvard Business School. He is a Fellow of the Australasian Institute of Banking and Finance and the Institute of Bankers Malaysia.

He is presently the Chairman of the Association of Finance Companies of Malaysia and the Honorary Advisor to the Association of Hire Purchase Companies Malaysia. He is a Council Member of the National Economic Action Council and the National Payments Advisory Board in Malaysia. He also holds directorships in several other companies in the Public Bank Group.

Dato' Chang Kat Kiam

Dato' Chang Kat Kiam, aged 51, has 31 years of experience in the banking and finance industry. He was appointed a Non-executive Director of the Company in March 2004. He is also a Non-executive Director of Public Finance. He is currently the Senior General Manager of Public Bank. He is a holder of Masters in Business Administration degree. He also holds directorships in several other companies in the Public Bank Group.

Mr. Wong Kong Ming

Mr. Wong Kong Ming, aged 52, has over 30 years of experience in the banking and finance industry. He was appointed a Non-executive Director of the Company in June 1996. He is also a Non-executive Director of Public Finance. He is the General Manager of Public Bank, Hong Kong Branch. He is an Associate of the Chartered Institute of Bankers, United Kingdom; the Institute of Bankers Malaysia and the Malaysian Institute of Management. He is a holder of Master of Business Administration degree.

Dato' Yeoh Chin Kee

Dato' Yeoh Chin Kee, aged 63, has 45 years of experience in the banking and finance industry. He was appointed an Independent Non-executive Director of the Company in September 2002 and is currently the Chairman of the Audit Committee, and a member of the Remuneration Committee and Nomination Committee. He is also an Independent Non-executive Director of Public Bank. He is a Fellow of the Australian Society of Certified Practising Accountants and the Australasian Institute of Banking and Finance. He also holds directorships in several other companies in the Public Bank Group.

Mr. Geh Cheng Hooi, Paul

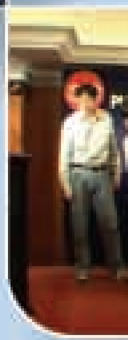
Mr. Geh Cheng Hooi, Paul, aged 71, has 50 years of experience in the accounting and audit field. He was appointed an Independent Non-executive Director of the Company in March 1995 and is a member of the Audit Committee, Remuneration Committee and Nomination Committee. He is a consultant/advisor with KPMG, Malaysia, prior to which, he was the Senior Partner thereof. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Mr. Lee Chin Guan

Mr. Lee Chin Guan, aged 47, has 13 years of experience in the legal practice, principally in commercial and corporate matters. He was appointed an Independent Non-executive Director of the Company in September 2004 and is a member of the Audit Committee, Remuneration Committee and Nomination Committee. He is also an Independent Non-executive Director of Public Bank. He qualified as a Barrister-at-Law from the Middle Temple in 1982. He also holds a Bachelor Degree in Science (Hons) from the University of Manchester Institute of Science and Technology and Degrees in Law from Cambridge University, Oxford University and University of Chicago Kent College of Law.

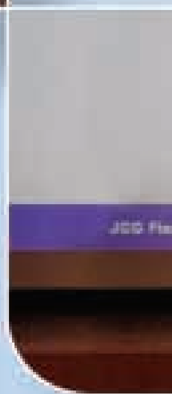
Tan Sri Dato' Sri Dr. Teh Hong Piow, Group Chairman, delivered his opening address at the Group's Annual Dinner 2005.

The Board of Directors at the Company's 2005 Annual General Meeting held at Kowloon Shangri-La in March 2005.



Mr. Tan Yoke Kong, General Manager and Chief Executive, addressed the press at the ceremony to announce the change of name of JCG Finance Company, Limited to Public Finance Limited on 19 January 2006.

Members of the Board of Directors enjoyed the staff performance at the Group's Annual Dinner 2005 held at Island Shangri-La Hong Kong in July 2005.



The staff performing at the Group's Annual Dinner 2005 took a photo with the Group Chairman, Tan Sri Dato' Sri Dr. Teh.

Ms. Constance So, our Personnel Manager (second from left) at the opening ceremony of To Serve with Love Music Marathon to receive a momento on behalf of the Group as a sponsor of the event.

Tan Sri Dato' Sri Dr. Teh Hong Piow, Group Chairman, celebrated his 75th birthday at Kowloon Shangri-La with the staff.

Branch Managers at the Management Seminar 2005 held at the Intercontinental Grand Stanford Hong Kong in August 2005.

Winners of the 2005 Inter-house Bowling Competition organised by the JCG Sports Club.

Staff and their family members posed at the entrance of Sunflower Farm during the Group Annual Outing to Panyu, China in November 2005.

Mr. Tan Yoke Kong delivered his welcome speech at a staff meeting held at the Hong Kong Polytechnic University to brief the staff on the re-branding of JCG Finance Company, Limited to Public Finance Limited in December 2005.

Group photo taken at the Inter-house Basketball Competition 2005 organised by the JCG Sports Club.

Members of the Board toasted to the members of the press at the unveiling ceremony of Public Finance Limited's new name and corporate logo held at the Four Seasons Hotel Hong Kong in January 2006.

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

Principal activities

The Company is an investment holding company. The principal activities of its subsidiaries during the year 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.

Details of the principal activities of the Company's subsidiaries are set out in note 20 to the financial statements.

Results and dividends

The Group's profit for the year ended 31 December 2005 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 38 to 99.

The first interim dividend of HK$0.06 (2004: HK$0.05) per ordinary share together with a special dividend of HK$0.29 (2004: HK$1.75) per ordinary share were paid on 30 September 2005. The second interim dividend of HK$0.40 (2004: HK$0.40) per ordinary share was declared on 30 December 2005 and will be payable on 21 February 2006 to shareholders of the Company whose names appear on the register of members on 8 February 2006. The directors do not recommend the payment of a final dividend for the year (2004: Nil).

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 6 to 7.

Investment properties, property, plant and equipment and land lease prepayments

Details of movements in the investment properties, property, plant and equipment and land lease prepayments of the Company and of the Group are set out in notes 17, 18 and 19 to the financial statements, respectively.

Share capital and share options

Details of movements of the Company's share capital and share options are set out in notes 27 and 28 to the financial statements, respectively.

Pre-emptive rights

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

Purchase, sale or redemption of listed shares of the Company

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

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 30 to the financial statements and the consolidated summary statement of changes in equity, respectively.

Distributable reserves

The Company's contributed surplus is distributable to shareholders in accordance with the Companies Act 1981 of Bermuda. At 31 December 2005, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK$144,941,000 (inclusive of the Company's contributed surplus) as computed in accordance with generally accepted accounting principles of Hong Kong, SAR. In addition, the Company's share premium account in the amount of approximately HK$1,364,179,000 may be distributed in the form of fully paid bonus shares.

Major customers and suppliers

In the year under review, income attributable to the Group's five largest customers accounted for less than 30% of the total income for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

Directors

The directors of the Company during the year were as follows:

Non-executive Directors:

Tan Sri Dato' Sri Dr. Teh Hong Piow, Chairman
Dato' Sri Tay Ah Lek
Dato' Chang Kat Kiam
Wong Kong Ming

Executive Directors:

Tan Yoke Kong
Lee Huat Oon

Independent Non-executive Directors:

Dato' Yeoh Chin Kee
Geh Cheng Hooi, Paul
Lee Chin Guan

In accordance with the Bye-laws, Tan Sri Dato' Sri Dr. Teh Hong Piow, Dato' Sri Tay Ah Lek and Mr. Geh Cheng Hooi, Paul shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' remuneration and the five highest paid individuals

Details of directors' remuneration and those of the five highest paid individuals in the Group are set out in notes 8 and 9 to the financial statements, respectively.

Directors' service contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Directors' interests in contracts

Except as detailed in note 36 to the financial statements and in the section headed "Connected transactions" below, no director had a beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party at the balance sheet date or at any time during the year.

Directors' interests and short positions in shares and underlying shares

At the balance sheet date, the directors' interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long positions in ordinary shares of the Company and associated corporations

Interests in	Name of director	Number of ordinary shares Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Total	Percentage of interest in issued share capital
1. The Company	Tan Sri Dato' Sri Dr. Teh Hong Piow	–	–	466,768,110	466,768,110	64.0053
	Tan Yoke Kong	80,000	–	–	80,000	0.0110
	Lee Huat Oon	20,000	–	–	20,000	0.0027
2. Public Bank, the ultimate holding company	Tan Sri Dato' Sri Dr. Teh Hong Piow	21,524,250	–	786,468,596	807,992,846	23.6437
	Dato' Sri Tay Ah Lek	5,810,109	–	139,482	5,949,591	0.1741
	Dato' Yeoh Chin Kee	1,110,000	400,000	–	1,510,000	0.0442
	Lee Chin Guan	1,250,000	–	–	1,250,000	0.0366
	Dato' Chang Kat Kiam	166,435	–	–	166,435	0.0049
	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	0.0052
3. Public Mutual Bhd., a fellow subsidiary	Tan Sri Dato' Sri Dr. Teh Hong Piow	–	–	5,400,000	5,400,000	90.0000
4. Winsure Company, Limited, a subsidiary	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, is also deemed interested in the shares of the Company and its associated corporations as disclosed above, to the extent Public Bank has interests.

Directors' interests and short positions in shares and underlying shares (Continued)

(b) Long positions in underlying shares of the Company and an associated corporation

Interests in	Name of director	Number of ordinary shares attached to the share options: At the beginning of the year	Granted during the year	Exercised during the year	At the end of the year	Exercise price	Exercise period
1. The Company	Tan Sri Dato' Sri Dr. Teh Hong Piow	–	700,000	700,000	–	HK$7.29	10.6.2005 to 9.6.2015
	Tan Yoke Kong	–	4,558,000	2,630,000	1,928,000	HK$7.29	10.6.2005 to 9.6.2015
	Lee Huat Oon	–	4,450,000	1,280,000	3,170,000	HK$7.29	10.6.2005 to 9.6.2015
	Dato' Sri Tay Ah Lek	–	4,000,000	2,320,000	1,680,000	HK$7.29	10.6.2005 to 9.6.2015
	Dato' Chang Kat Kiam	–	4,000,000	2,320,000	1,680,000	HK$7.29	10.6.2005 to 9.6.2015
	Wong Kong Ming	–	4,000,000	–	4,000,000	HK$7.29	10.6.2005 to 9.6.2015
	Dato' Yeoh Chin Kee	–	700,000	–	700,000	HK$7.29	10.6.2005 to 9.6.2015
	Geh Cheng Hooi, Paul	–	700,000	–	700,000	HK$7.29	10.6.2005 to 9.6.2015
	Lee Chin Guan	–	700,000	350,000	350,000	HK$7.29	10.6.2005 to 9.6.2015
2. Public Bank	Tan Sri Dato' Sri Dr. Teh Hong Piow	20,743,000	–	20,743,000	–	RM4.92	9.6.2004 to 24.2.2008
	Dato' Sri Tay Ah Lek	750,000	–	750,000	–	RM3.56	18.7.2002 to 24.2.2008
		1,562,500	–	1,562,500	–	RM3.56	25.7.2003 to 24.2.2008
		2,000,000	–	2,000,000	–	RM4.60	6.2.2004 to 24.2.2008
		5,000,000	–	5,000,000	–	RM4.92	9.6.2004 to 24.2.2008
		–	4,500,000	–	4,500,000	RM6.37	24.2.2005 to 24.2.2008
		–	4,000,000	–	4,000,000	RM5.67	5.12.2005 to 24.2.2008
		9,312,500	8,500,000	9,312,500	8,500,000		

Directors' interests and short positions in shares and underlying shares (Continued)

(b) Long positions in underlying shares of the Company and an associated corporation (Continued)

Interests in	Name of director	Number of ordinary shares attached to the share options: At the beginning of the year	Granted during the year	Exercised during the year	At the end of the year	Exercise price	Exercise period
2. Public Bank (Continued)	Dato' Yeoh Chin Kee	2,000,000	–	2,000,000	–	RM4.92	9.6.2004 to 24.2.2008
		–	2,025,000	–	2,025,000	RM6.37	24.2.2005 to 24.2.2008
		–	2,250,000	–	2,250,000	RM5.67	5.12.2005 to 24.2.2008
		2,000,000	4,275,000	2,000,000	4,275,000		
	Lee Chin Guan	–	1,125,000	–	1,125,000	RM6.37	24.2.2005 to 24.2.2008
		–	1,250,000	–	1,250,000	RM5.67	5.12.2005 to 24.2.2008
		–	2,375,000	–	2,375,000		
	Dato' Chang Kat Kiam	125,000	–	125,000	–	RM4.60	22.12.2003 to 24.2.2008
		–	123,000	–	123,000	RM6.37	24.2.2005 to 24.2.2008
		–	130,000	–	130,000	RM5.67	5.12.2005 to 24.2.2008
		125,000	253,000	125,000	253,000		
	Tan Yoke Kong	–	30,000	–	30,000	RM6.37	15.2.2005 to 24.2.2008
		–	40,000	–	40,000	RM5.67	5.12.2005 to 24.2.2008
		–	70,000	–	70,000		
	Lee Huat Oon	–	20,000	–	20,000	RM6.37	15.2.2005 to 24.2.2008
		–	30,000	–	30,000	RM5.67	5.12.2005 to 24.2.2008
		–	50,000	–	50,000		

Directors' interests and short positions in shares and underlying shares (Continued)

(b) Long positions in underlying shares of the Company and an associated corporation (Continued)

Interests in	Name of director	Number of ordinary shares attached to the share options: At the beginning of the year	Granted during the year	Exercised during the year	At the end of the year	Exercise price	Exercise period
2. Public Bank (Continued)	Wong Kong Ming	15,000	–	7,000	8,000	RM4.92	17.6.2004 to 24.2.2008
		–	10,000	–	10,000	RM6.37	16.2.2005 to 24.2.2008
		–	25,000	–	25,000	RM5.67	5.12.2005 to 24.2.2008
		15,000	35,000	7,000	43,000		

Notes:

1. The options to subscribe for ordinary shares of HK$0.10 each in the Company 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 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 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.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, or underlying shares of the Company or any of its associated corporations that was required to be recorded under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code at the balance sheet date.

Directors' rights to acquire shares or debentures

Apart from the share option schemes disclosed above and set out in note 28 to the financial statements, at no time during the year was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or in any other body corporate.

Directors' interests in competing businesses

Tan Sri Dato' Sri Dr. Teh Hong Piow and Dato' Sri Tay Ah Lek are also directors of Public Bank, 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 by virtue of his interest in Public Bank.

The provision of financing for licensed public vehicles undertaken by Public Bank and JCG Finance during the year was 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 between the hirers and the financiers. The terms and conditions of other businesses of JCG Finance and Public Bank, Hong Kong Branch are also market driven.

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

At the balance sheet date, the register of interests and short positions in the shares and underlying shares of the Company kept under Section 336 of the SFO showed that, other than the interests of Tan Sri Dato' Sri Dr. Teh Hong Piow as disclosed above, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Name	Capacity	Number of ordinary shares	Percentage of interest in issued share capital
Substantial shareholder			
1. Public Bank	Beneficial owner	466,768,110	64.0053
Other person			
2. The Capital Group Companies, Inc.	Investment manager	41,363,278	5.6719

All the interests stated above represent long positions. Save as disclosed above and under the heading "Directors' interests and short positions in shares and underlying shares", no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded under Section 336 of the SFO at the balance sheet date.

Connected transactions

(1) A tenancy arrangement was first made on 23 July 1997 and renewed subsequently by tenancy agreements between JCG Finance, a wholly-owned subsidiary, as the landlord and Public Bank, the ultimate holding company, as the tenant whereby JCG Finance agreed to let an apartment located in Taikoo Shing, Hong Kong to Public Bank as its staff quarters. The existing tenancy agreement was entered into on 15 July 2004 for a term of two years commencing from 1 August 2004 to 31 July 2006 at a monthly rental of HK$19,000.

A lease arrangement was first made on 1 September 1993 and renewed subsequently by tenancy agreements between JCG Finance as the landlord and Public Bank as the tenant whereby JCG Finance agreed to let a portion of the office premises located at 11th Floor, Wing On House, Hong Kong to Public Bank as its office. The existing tenancy agreement was entered into on 6 July 2004 for a term of two years commencing from 1 August 2004 to 31 July 2006 at a monthly rental of HK$33,000.

On 11 November 2003, a tenancy agreement was entered into between the Company as the landlord and Public Bank, Hong Kong Branch as the tenant whereby the Company agreed to let the premises located at Shop A, Ground Floor, Wing On House, Hong Kong to Public Bank, Hong Kong Branch as its branch office for a term of three years commencing from 1 November 2003 to 31 October 2006 at a monthly rental of HK$150,000 with an option to renew for a further two years at the then prevailing market rate.

Connected transactions (Continued)

(2) Pursuant to the master dealer agreement entered into between Winton Motors, Limited ("WML"), a wholly-owned subsidiary, and Public Bank on 29 December 1994, WML may from time to time refer hirers to Public Bank for obtaining taxi financing loans, and in return, WML will receive dealer's commission from Public Bank (the "Transaction"). Dealer's commission received/receivable by WML for the year from Public Bank was HK$196,000 (2004: HK$5,397,000).

The Transaction is only subject to the reporting requirements set out in Rules 14A.45 and 14A.46 of the Listing Rules. Mr. Geh Cheng Hooi, Paul, Dato' Yeoh Chin Kee and Mr. Lee Chin Guan, the Independent Non-executive Directors of the Company, have reviewed the Transaction. They have confirmed that the Transaction was entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the relevant master dealer agreement on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole. The auditors have also confirmed that (i) the Transaction received the approval of the Company's board of directors; (ii) the terms were in accordance with the pricing policy of WML; (iii) the Transaction was entered into in accordance with the relevant master dealer agreement; and (iv) the dealer's commission received/receivable by WML did not exceed the percentage ratios as allowed under Rule 14A.34 of the Listing Rules.

(3) During the year, the Group placed cash and short term funds with Public Bank at prevailing market rates. As at 31 December 2005, the cash and short term funds placed amounted to HK$21,207,000 (2004: HK$22,171,000). Interest income received/receivable by the Group for the year from Public Bank in respect of the placements amounted to approximately HK$198,000 (2004: HK$4,590,000).

(4) During the year, fixed deposits were accepted from PB Trust (L) Ltd., a fellow subsidiary of the Company, in the ordinary course of business and on normal commercial terms by JCG Finance. As at 31 December 2005, fixed deposits placed amounted to HK$476,728,000 (2004: HK$700,161,000). Interest paid/payable to PB Trust (L) Ltd. for the year by JCG Finance in respect of the placements amounted to approximately HK$10,995,000 (2004: HK$2,005,000).

The related party transactions as disclosed in note 36(a), (b), (c) and (e) to the financial statements also fell under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements, where applicable, in accordance with Chapter 14A of the Listing Rules.

Compliance with Supervisory Policy Manuals

The Group has followed the guidelines on "Financial Disclosure by Locally Incorporated Authorised Institutions" and "Corporate Governance of Locally Incorporated Authorised Institutions" under the Supervisory Policy Manuals issued by the HKMA.

Corporate governance

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting year covered by this annual report, in compliance with the Code on CGP as set out in Appendix 14 of the Listing Rules except for the deviations in respect of the service term and rotation of directors under code provisions A.4.1 and A.4.2 of the Listing Rules.

Corporate governance (Continued)

Under code provisions A.4.1 and A.4.2 of the Listing Rules, (a) non-executive directors should be appointed for specific terms and subject to re-election, and (b) all directors appointed to fill casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Bye-laws, one-third of the directors for the time being shall retire from office by rotation at each annual general meeting. The directors to retire by rotation shall be those who wish to retire and do not wish to offer themselves for re-election, those who were appointed by the board during the year to fill casual vacancy and those who have been longest in office since their last re-election or appointment. However, as between directors who became or were last re-elected on the same day, those to retire shall be determined by drawing lots (unless they otherwise agree among themselves). As there are nine directors, and one-third of them shall retire subject to rotation, and barring unforeseen resignation/retirement during a year, each director is effectively appointed under an average term of 3 years. Any director appointed to fill a casual vacancy or as an addition to the board shall hold office only until the next annual general meeting of the Company and shall retire and be subject to re-election. The board has reviewed and proposed some amendments to the relevant Bye-laws for approval of the shareholders at the forthcoming annual general meeting.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of its directors, the directors confirmed that the Company has maintained the amount of public float as required under the Listing Rules during the year.

Auditors

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

ON BEHALF OF THE BOARD
Tan Yoke Kong
Director

Hong Kong
11 January 2006

ERNST & YOUNG
安永會計師事務所

To the members
JCG Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 38 to 99 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
11 January 2006

Consolidated Profit and Loss Account

For the year ended 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000
Interest income	5	802,660	712,792
Interest expense		(36,613)	(13,367)
NET INTEREST INCOME		766,047	699,425
Other operating income	5	134,180	181,820
Amortisation of negative goodwill		–	18,433
OPERATING INCOME		900,227	899,678
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		529,889	493,166
Tax	10	(83,592)	(80,277)
PROFIT FOR THE YEAR	11	446,297	412,889
DIVIDENDS	12		
Interim		335,461	318,492
Special		211,487	1,238,577
		546,948	1,557,069
EARNINGS PER SHARE (HK$)	13		
Basic		0.623	0.583
Diluted		0.622	N/A

31 December 2005

	Notes	Group 2005 HK$'000	Group 2004 HK$'000 (Restated)	Company 2005 HK$'000	Company 2004 HK$'000 (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

Tan Yoke Kong
Director

Lee Huat Oon
Director

Consolidated Summary Statement of Changes in Equity

For the year ended 31 December 2005

	Note	2005 HK$'000	2004 HK$'000
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		**2,393,434**	2,166,537

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.

For the year ended 31 December 2005

	Note	2005 HK$'000	2004 HK$'000
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		**458,009**	795,924
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
		458,009	795,924

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

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

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.

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

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.

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

(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(l) 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(l) 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.

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

(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.

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

Group	Previous accounting policies HK$'000	Prior year adjustments HKAS 17 Reclassification HK$'000	HKAS 17 Adjustments to retained profits HK$'000	HKAS 40 HK$'000	Total effect on adoption of HKASs HK$'000	Adoption of HKASs after prior year adjustments HK$'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
	2,163,280	–	3,257	–	3,257	2,166,537

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

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

Company	Previous accounting policies HK$'000	Prior year adjustments HKAS 40 HK$'000	Adoption of HKASs after prior year adjustments HK$'000
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)
	1,374,562	–	1,374,562

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

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

Group	Adoption of HKASs after prior year adjustments HK$'000	Opening adjustments HKFRS 3, HKAS 36 & HKAS 38 HK$'000	Opening adjustments HKAS 39 HK$'000	Total effect on adoption of HKFRSs & HKASs HK$'000	Adoption of HKFRSs & HKASs 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
	2,166,537	55,297	60,613	115,910	2,282,447

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

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

Group	Previous accounting policies HK$'000	HKAS 17 HK$'000	HKAS 40, HK(SIC)-Int 21 HK$'000	HKFRS 3, HKAS 36 & HKAS 38 HK$'000	HKFRS 2 HK$'000	HKAS 39 HK$'000	Total effect on adoption of HKFRSs & HKASs HK$'000	Adoption of HKFRSs & HKASs HK$'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
	2,269,096	3,257	13,864	36,890	–	70,327	124,338	2,393,434

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

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

Company	Previous accounting policies HK$'000	HKAS 40, HK(SIC)-Int 21 HK$'000	HKFRS 2 HK$'000	Total effect on adoption of HKFRSs & HKASs HK$'000	Adoption of HKFRSs & HKASs HK$'000
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)
	1,575,889	10,388	41,534	51,922	1,627,811

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

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

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

Group	HKAS 17	HKAS 40, HK(SIC)-Int 21	HKFRS 3, HKAS 36 & HKAS 38	HKFRS 2	HKAS 39	Total effect on adoption of HKFRSs & 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, exchanges 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment allowances (Continued)

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

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.

Repossessed assets refer to the assets repossessed 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 repossessed 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

(b) *Share option scheme (Continued)*

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;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(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.

4. SEGMENTAL INFORMATION (Continued)

(a) By business segments (Continued)

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.

Group	Personal and commercial lending 2005 HK$'000	Personal and commercial lending 2004 HK$'000	Taxi trading and related operations, and other businesses 2005 HK$'000	Taxi trading and related operations, and other businesses 2004 HK$'000	Eliminated on consolidation 2005 HK$'000	Eliminated on consolidation 2004 HK$'000	Total 2005 HK$'000	Total 2004 HK$'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)	**–**	–
	884,810	864,952	**16,154**	24,126	**(737)**	(7,879)	**900,227**	881,199
Unallocated revenue:								
Amortisation of negative goodwill							**–**	18,433
Gain on disposal of a subsidiary							**–**	46
							900,227	899,678
Segment results	**491,834**	458,495	**38,055**	16,218	**–**	–	**529,889**	474,713
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							**446,297**	412,889
Segment assets	**4,201,485**	4,193,521	**258,957**	134,964	**–**	–	**4,460,442**	4,328,485
Unallocated assets:								
Intangible asset							**126**	126
Negative goodwill							**–**	(55,297)
Deferred tax assets							**2,854**	20,365
Total assets							**4,463,422**	4,293,679
Segment liabilities	**1,662,637**	1,752,405	**70,680**	40,527	**–**	–	**1,733,317**	1,792,932
Unallocated liabilities:								
Declared dividend							**291,706**	283,104
Deferred tax liabilities and tax payable							**44,965**	51,106
Total liabilities							**2,069,988**	2,127,142

4. SEGMENTAL INFORMATION (Continued)

(a) By business segments (Continued)

Group	Personal and commercial lending 2005 HK$'000	Personal and commercial lending 2004 HK$'000	Taxi trading and related operations, and other businesses 2005 HK$'000	Taxi trading and related operations, and other businesses 2004 HK$'000	Eliminated on consolidation 2005 HK$'000	Eliminated on consolidation 2004 HK$'000	Total 2005 HK$'000	Total 2004 HK$'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 HK$'000	Group 2004 HK$'000
Fees and commission income	**121,730**	168,586
Gross rental income	**7,198**	6,774
Less: 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 HK$'000	Group 2004 HK$'000
Staff costs:		
Salaries and other staff costs	**86,731**	100,028
Pension contributions	**6,393**	6,368
Less: 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 HK$'000	2004 HK$'000
Loans and advances to customers	**3,583,800**	3,249,726
Interest receivable	**45,232**	45,129
	3,629,032	3,294,855
Other receivables	**73,902**	79,168
	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)
	(190,679)	(270,996)
	3,512,255	3,103,027

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 HK$'000	2004 HK$'000
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
	3,702,934	3,374,023

7. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(b) Gross amount of impaired loans and advances

	Group			
	2005		2004	
	Gross amount HK$'000	**Percentage of total loans and advances**	Gross amount HK$'000	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	**116,786**	**3.3**	113,527	3.5
Total impaired loans and advances	**208,621**	**5.8**	187,553	5.8
Impairment allowances/ provisions for impaired loans and advances:				
Individual impairment allowances	**(78,276)**		–	
Collective impairment allowances	**(105,834)**		–	
Specific provision	**–**		(160,614)	
	(184,110)		(160,614)	
	24,511	**0.7**	26,939	0.8

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.

7. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	Group	
	2005	2004
	HK$'000	HK$'000
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)
	190,679	270,996

(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

		2005			
Name of Director	Fees HK$'000	Salaries and other benefits HK$'000 (Note 1)	Bonuses HK$'000	Pension scheme contributions HK$'000	Total 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
	855	18,493	647	215	20,210

8. DIRECTORS' REMUNERATION (Continued)

Group

			2004		
Name of Director	Fees	Salaries and other benefits	Bonuses	Pension scheme contributions	Total
	HK$'000	HK$'000 (Note 1)	HK$'000	HK$'000	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
	645	1,736	587	192	3,160

Notes:

1. 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.

2. 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).

3. Appointed on 26 March 2004.

4. 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
	2,749

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
	3

10. TAX

	Group **2005** **HK$'000**	 2004 HK$'000
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
	83,592	80,277

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.

10. TAX (Continued)

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	
	HK$'000	%	HK$'000	%
Hong Kong:				
Profit before tax	529,889		493,166	
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	–	–	1,750	0.4
Tax charge at the Group's effective rate	83,592	15.8	80,277	16.3

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 HK$ per ordinary share	2004 HK$ per ordinary share	2005 HK$'000	2004 HK$'000
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
	0.75	2.20	546,948	1,557,069

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.

	2005 **HK$'000**	2004 HK$'000
Profit for the year, used in the basic and diluted earnings per share calculation	**446,297**	412,889
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	**1,819,000**	–
Weighted average number of ordinary shares used in diluted earnings per share calculation	**717,699,181**	707,758,412
Diluted earnings per share (HK$)	**0.622**	N/A

14. CASH AND SHORT TERM PLACEMENTS

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

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
	HK$'000	HK$'000
At beginning of year	16,744	13,565
Change in fair value (Note 30)	9,137	3,179
Listed security investment in Hong Kong, at market value	25,881	16,744

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

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

	Group 2005 HK$'000	Company 2005 HK$'000
At valuation:		
Medium term leases	**44,790**	**–**
Long term leases	**103,197**	**45,000**
	147,987	**45,000**

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 HK$'000 (Note)	Leasehold improvements, furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000	Leasehold buildings HK$'000
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**	**–**

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Group				Company
	Leasehold buildings HK$'000 (Note)	Leasehold improvements, furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000	Leasehold buildings HK$'000
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**	**–**
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	**17,604**	**3,732**	**–**	**21,336**	**–**
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	19,586	3,534	–	23,120	–

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 HK$'000
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

19. LAND LEASE PREPAYMENTS (Continued)

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

	Group 2005 HK$'000
Cost:	
Medium term leases	82,598
Long term leases	150,970
	233,568

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 HK$'000	2004 HK$'000
Unlisted shares, at cost	769,444	1,353,811
Amounts due from subsidiaries	288,128	–
	1,057,572	1,353,811

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.

20. INTERESTS IN SUBSIDIARIES (Continued)

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 Direct	Percentage of equity attributable to the Company Indirect	Principal activities
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
	34,418	10,582	**4,645**	159

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	**1,135**	1,227
Maximum aggregate amount of principal and interest outstanding during the year	**1,227**	2,109

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
	HK$'000	HK$'000
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
	1,165,250	1,020,220
Connected deposits	**476,728**	700,161
	1,641,978	1,720,381

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
	HK$'000	HK$'000	**HK$'000**	HK$'000
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 (Note 25)	**4,006**	4,268	**–**	–
	91,339	72,551	**1,313**	1,044

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
	HK$'000	HK$'000
Balance at beginning of year	**4,268**	4,385
Movement during the year	**(262)**	(117)
Balance at end of year	**4,006**	4,268

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:

	At 1 January 2004 HK$'000	Deferred tax charged to the profit and loss account HK$'000	At 31 December 2004 HK$'000	**Opening adjustment: adoption of HKAS 39 & HKAS 12 HK$'000**	**At 1 January 2005 HK$'000**	**Deferred tax (charged)/ credited to the profit and loss account HK$'000**	**At 31 December 2005 HK$'000**
					(Restated)		
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**
	33,975	(13,610)	20,365	**(16,633)**	**3,732**	**(878)**	**2,854**

Deferred tax liabilities:

	At 1 January 2004 HK$'000	Deferred tax credited to the profit and loss account HK$'000	At 31 December 2004 HK$'000	Prior year adjustment: adoption of HKAS 17 & HKAS 40 HK$'000	**At 31 December 2004 and 1 January 2005 HK$'000**	**Deferred tax charged/ (credited) to the profit and loss account HK$'000**	**At 31 December 2005 HK$'000**
			(As previously reported)		**(Restated)**		
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)	–	–	**–**	**–**	**–**
	15,503	(6,469)	9,034	2,513	**11,547**	**1,863**	**13,410**

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 HK$'000	2004 HK$'000
Ordinary shares		
Authorised:		
1,000,000,000 (2004: 1,000,000,000) ordinary shares of HK$0.10 each	**100,000**	100,000

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

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.

28. SHARE OPTION SCHEME (Continued)

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: (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: (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.

28. SHARE OPTION SCHEME (Continued)

(a) Summary of the Scheme (Continued)

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

	Number of share options						
Name	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 HK$	Weighted average closing price of the shares immediately before dates of exercise 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 HK$'000	2004 HK$'000
At beginning of year	–	–
Employee share option benefits	**45,765**	–
At end of year	**45,765**	–

(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 (Note (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

29. EMPLOYEE SHARE-BASED COMPENSATION RESERVE (Continued)

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

30. RESERVES (Continued)

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	1,364,179	829	194,176	-	-	-	45,765	-	(50,064)	1,554,885

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
	HK$'000	HK$'000
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)
	452,024	473,573
(Decrease)/increase in customer deposits	**(78,403)**	411,037
Increase in loans and advances and receivables	**(328,911)**	(103,644)
Net cash flows from operating activities	**44,710**	780,966

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
	HK$'000	HK$'000
Within one year	**7,312**	6,341
In the second to fifth years, inclusive	**3,418**	5,516
	10,730	11,857

(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
	HK$'000	HK$'000
Within one year	**16,172**	15,134
In the second to fifth years, inclusive	**11,461**	4,776
	27,633	19,910

33. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Commitments

	Group			
	2005		2004	
	Contractual amount HK$'000	**Risk weighted amount HK$'000**	Contractual amount HK$'000	Risk weighted amount HK$'000
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	–
	2,376	**1,603**	1,813	330

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

33. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(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 (note b)
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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

(ii) Risk management policies (Continued)

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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

(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:

	2005						
Group	One year or less HK$'000	More than 1 year but not more than 2 years HK$'000	More than 2 years but not more than 3 years HK$'000	More than 3 years but not more than 4 years HK$'000	Over 5 years HK$'000	Non-interest bearing HK$'000	Total 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
	2,098,544	759,399	278,034	51,942	69,101	255,301	3,512,321
Floating rate financial assets							
– Loans and advances and receivables (before impairment allowances)	594,502	–	–	–	–	80,001	674,503
	594,502	–	–	–	–	80,001	674,503
Less:							
Liabilities							
Fixed rate financial liabilities							
– Customer deposits	1,640,710	1,268	–	–	–	–	1,641,978
	1,640,710	1,268	–	–	–	–	1,641,978
Total interest sensitivity gap	1,052,336	758,131	278,034	51,942	69,101	335,302	2,544,846

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

(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:

			2004				
Group	One year or less HK$'000	More than 1 year but not more than 2 years HK$'000	More than 2 years but not more than 3 years HK$'000	More than 3 years but not more than 4 years HK$'000	Over 5 years HK$'000	Non-interest bearing HK$'000	Total 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
	2,318,796	675,205	220,592	37,925	105,017	251,834	3,609,369
Floating rate financial assets							
– Loans and advances and receivables (before provisions)	493,268	–	–	–	–	84,054	577,322
	493,268	–	–	–	–	84,054	577,322
Less:							
Liabilities							
Fixed rate financial liabilities							
– Customer deposits	1,706,154	14,227	–	–	–	–	1,720,381
	1,706,154	14,227	–	–	–	–	1,720,381
Total interest sensitivity gap	1,105,910	660,978	220,592	37,925	105,017	335,888	2,466,310

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

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

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

36. RELATED PARTY TRANSACTIONS (Continued)

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 rental 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.

Advances to Customers by Industry Sectors

	Group	
	Gross advances to customers	
	2005	2004
	HK$'000	HK$'000
Loans for use in Hong Kong		
Industrial, commercial and financial:		
Property investment	**56,674**	58,442
Wholesale and retail trade	**–**	93
Manufacturing	**1,602**	1,713
Licensed public vehicles	**516,024**	446,482
Individuals:		
Loans for the purchase of residential properties	**19,927**	27,448
Others	**2,911,121**	2,635,596
Loans for use outside Hong Kong	**78,452**	79,952
	3,583,800	3,249,726

The advances to customers are classified by industry sectors based on the industry in which the loans granted were used. In those cases where loans cannot be classified with reasonable certainty, they are classified according to the known principal activity of the borrowers or by reference to the assets financed according to the loan documentation.

Capital Adequacy and Liquidity Ratios of JCG Finance

	2005	2004
	Unadjusted ratio	Unadjusted ratio
Capital adequacy ratio as at 31 December	**38.52%**	38.69%
Average liquidity ratio for the year	**72.45%**	79.45%

The above unadjusted capital adequacy ratio and average liquidity ratio for the year are computed in accordance with the Third Schedule and the Fourth Schedule of the Banking Ordinance respectively.

The above unadjusted capital adequacy ratio is computed on a consolidated basis (including JCG Securities Limited and Public Financial Limited (formerly known as "Funds Fit Limited")). The adjusted capital adequacy ratio is not disclosed herein as the market risk arising from JCG Finance's trading book is regarded as immaterial. JCG Finance meets all of the de minimis exemption criteria for reporting market risk as set out in "Maintenance of Adequate Capital Against Market Risks" under the Supervisory Policy Manuals issued by the HKMA and has relied on such criteria in considering the materiality of market risk arising from its trading book.