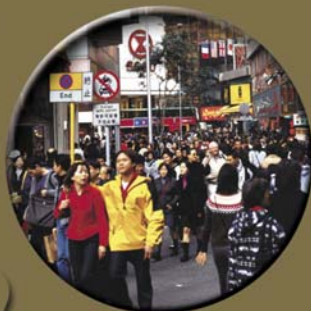




JCG HOLDINGS LIMITED



Annual Report
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Board of Directors

Chairman

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

Tan Yoke Kong
Datuk Tay Ah Lek
Lee Huat Oon
Wong Kong Ming
Chang Kat Kiam

Independent Non-executive Directors

Geh Cheng Hooi, Paul
Dato' Yeoh Chin Kee
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
Website : www.jcg.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
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong
Telephone : (852) 2980 1333
Facsimile : (852) 2810 8185

Auditors

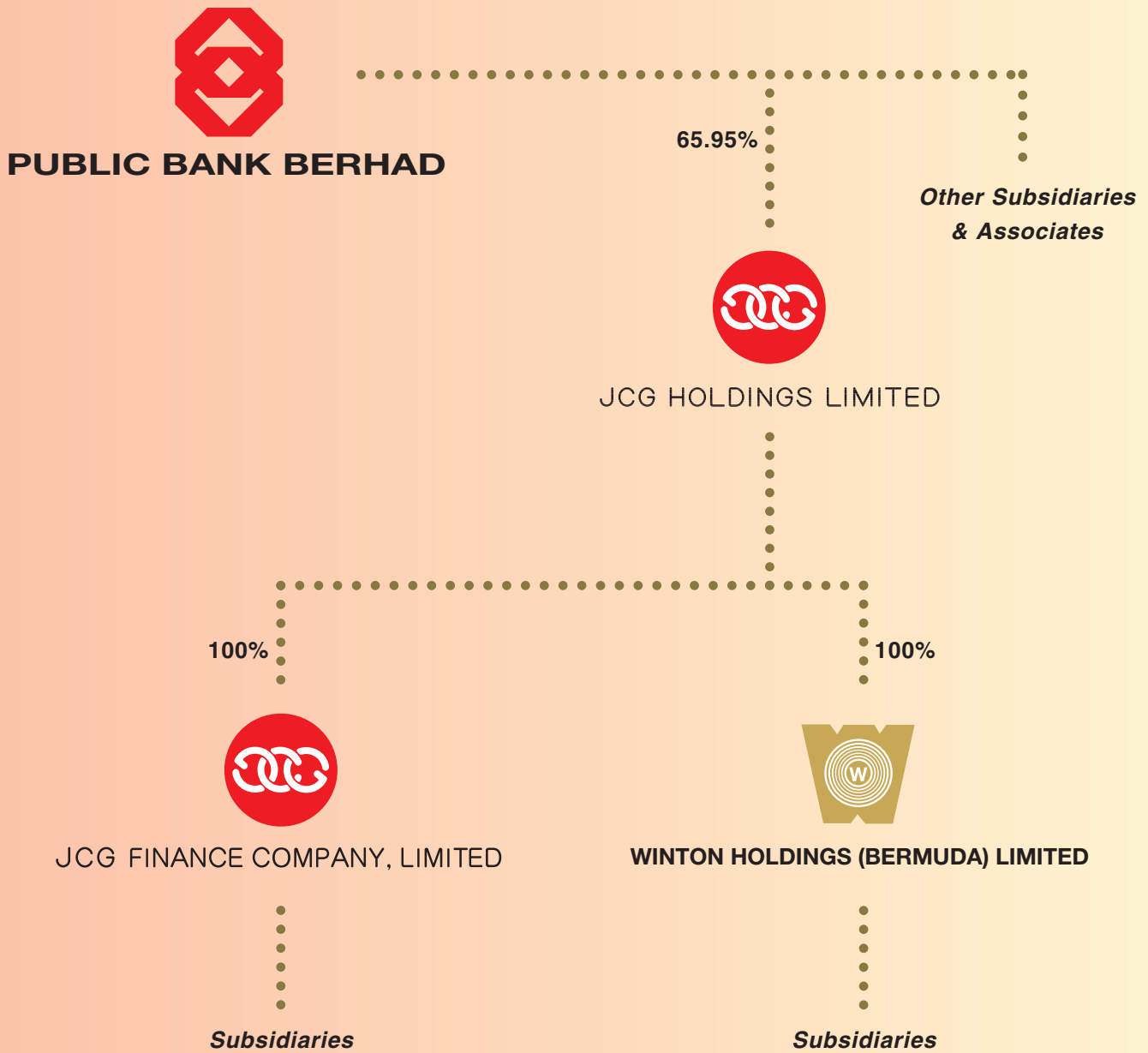
Ernst & Young
Certified Public Accountants

Legal Advisers

Charles Yeung Clement Lam Liu & Yip
Deacons

Principal Bankers

Bank of China (Hong Kong) Limited
Bumiputra-Commerce Bank Berhad
Citic Ka Wah Bank Limited
DBS Bank Ltd
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





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: 28683211 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

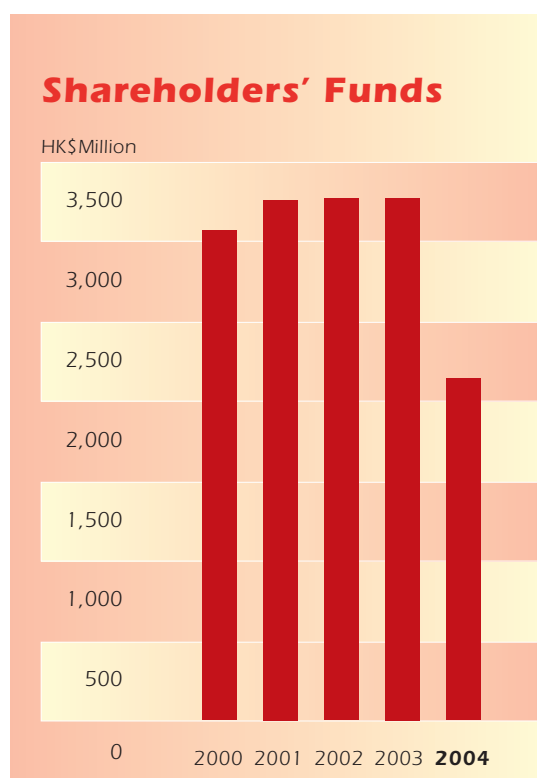
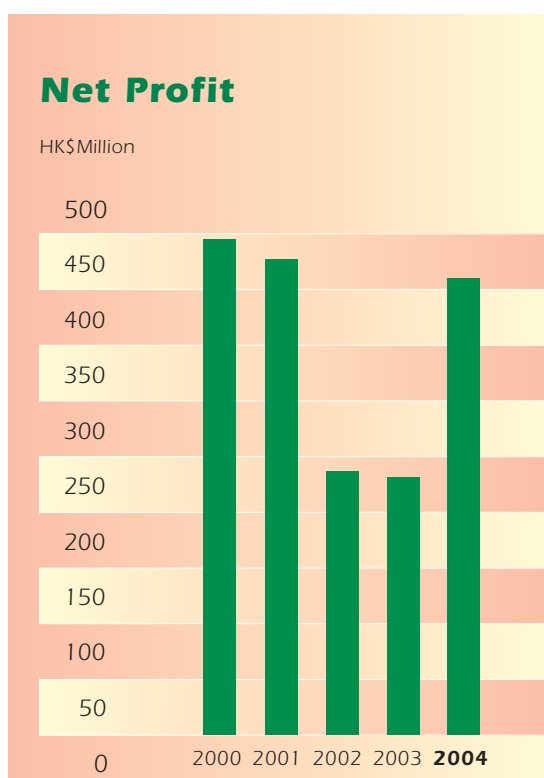
Kowloon

- 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 Solomon
- 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: Ho Kam Ming
- 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: Kwan Wai Choi Samuel
- 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: Li Kit Shing Joe
- 29** **Ngau Tau Kok Branch**
Shop 29, G/F, Block A
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: Chan Chiu Ming Peter
- 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: Poon Wai Chung Danny
- 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



Note: A special dividend of HK\$1,238.6 million was paid in 2004.

2004 Financial Highlights

Net profit:	HK\$412.9 million
Loans and advances (net):	HK\$3,033.6 million
Customer deposits:	HK\$1,720.4 million
Shareholders' funds:	HK\$2,163.3 million
Earnings per share:	HK\$0.583
Total dividends per share:	HK\$2.200

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:

	Year ended 31 December				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Loans and advances (net)	3,033,640	2,883,157	3,223,378	3,460,559	4,082,729
Other assets	1,254,269	1,969,933	2,161,556	1,379,572	1,444,204
Total assets	4,287,909	4,853,090	5,384,934	4,840,131	5,526,933
Customer deposits	1,720,381	1,309,344	1,774,336	1,033,546	1,318,818
Declared dividend	283,104	141,552	–	–	–
Other liabilities	121,144	97,913	93,732	309,780	920,619
Total liabilities	2,124,629	1,548,809	1,868,068	1,343,326	2,239,437
Net assets	2,163,280	3,304,281	3,516,866	3,496,805	3,287,496
Shareholders' funds	2,163,280	3,304,281	3,301,343	3,291,095	3,096,668
Minority interests	–	–	215,523	205,710	190,828
Total capital resources	2,163,280	3,304,281	3,516,866	3,496,805	3,287,496
Net profit attributable to shareholders	412,889	232,133	237,338	428,832	446,638
Basic earnings per share (HK\$)	0.583	0.328	0.335	0.607	0.632

Note: A special dividend of HK\$1,238.6 million was paid in 2004.



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

“I am pleased to present a review of the results of the Group for the financial year ended 31 December 2004.”

Group Performance

During the year under review, Hong Kong's economy continued to recover and consumer sentiment improved with the easing of the unemployment rate, an improved property market, and growth in tourism and related retail industries in Hong Kong. However, the operating environment for the banking industry remained challenging as demand for consumer loan was weak, while competition intensified further amongst the financial institutions.

For the year ended 31 December 2004, JCG Holdings Limited (the “Company”) and its subsidiaries (the “Group”) recorded a profit after tax of HK\$412.9 million, representing a sharp increase of 77.9% or HK\$180.8 million when compared to HK\$232.1 million in the previous year. Accordingly, the Group's earnings per share increased to HK\$0.58 from HK\$0.33 in the previous year. The Directors declared a second interim dividend of HK\$0.40 per share on 30 December 2004 and did not recommend the payment of a final dividend for the year. Together with the first interim dividend of HK\$0.05 per share and the special dividend of HK\$1.75 per share declared in June 2004, the total dividends for the year 2004 amounted to HK\$2.20 per share.

The increase in profit after tax was mainly attributed to the decrease in provisions for bad and doubtful debts and the increase in non-interest income. For the year ended 31 December 2004, the Group's provisions for bad and doubtful debts decreased sharply by 58.2% or HK\$241.9 million to HK\$173.3 million from HK\$415.2 million in 2003, mainly due to the decrease in personal bankruptcies and individual voluntary arrangements from consumer loan customers, as well as the decrease in general provision for bad and doubtful debts. The Group's non-interest income increased by 17.8% or HK\$30.3 million to HK\$200.3 million for the year, mainly due to the increase in loan processing and related fees as a result of the higher volume of consumer loan transactions.

Group Performance (Continued)

For the year ended 31 December 2004, the Group's interest income decreased slightly by 1.5% or HK\$10.5 million to HK\$712.8 million and the Group's interest expense decreased by 58.7% or HK\$19.0 million to HK\$13.4 million, which resulted in an increase of 1.2% or HK\$8.5 million in net interest income to HK\$699.4 million. The decrease in the Group's interest expense was mainly due to the decrease in average customer deposits in the year compared to that of the previous year, and the decrease in average interest rates paid on customer deposits. The Group's operating expenses before impairment loss on properties increased by 21.7% or HK\$40.2 million to HK\$225.8 million for the year when compared to the previous year. Consequently, the Group's cost to operating income ratio increased to 25.1% in 2004 from 21.6% in 2003.

As at 31 December 2004, the Group's total gross loans and advances increased by 3.7% or HK\$116.2 million to HK\$3,249.7 million from HK\$3,133.5 million at the end of December 2003 after bad debts written off amounting to HK\$266.8 million. The growth in gross loans and advances arose mainly from consumer loans as more customers consolidated their debts with the Group. The Group's customer deposits, including a deposit of HK\$700.2 million from a related corporate customer, increased by 31.4% or HK\$411.1 million to HK\$1,720.4 million as at 31 December 2004 from HK\$1,309.3 million as at 31 December 2003.

As at 31 December 2004, the shareholders' funds of the Group was reduced to HK\$2,163.3 million following the distribution of a special dividend of HK\$1,238.6 million and the first and second interim dividends of HK\$318.5 million during the year.

Prospects

The operating environment in 2005 is expected to remain challenging as interest rates are expected to trend higher and competition for consumer loans is expected to intensify further with the expiry of the moratorium period in June 2005 which restricts access to positive credit data for purposes of review assessment of consumer loans by financial institutions. The Group will continue to focus on marketing and promoting consumer loans to selected market segments to attract new and better quality customers, and to look for opportunities to expand its branch network and the relocation of the branches to better sites for higher visibility and easier access by customers.

With the improving consumer sentiment, declining trend in personal bankruptcies, coupled with the availability of positive credit data on consumer loan customers, the Group will undertake a more aggressive marketing strategy to promote and increase its consumer loan business. Notwithstanding this, the Group will continue to strengthen its credit risk management and adopt a prudent approach in its credit evaluation and maintain tight credit controls.

The Group will also continue to focus on developing its taxi financing and taxi trading businesses with the support of a well established panel of financiers and network of taxi dealers.

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 Hong Kong Monetary Authority and other relevant authorities for their invaluable advice, guidance and support.

Tan Sri Dato' Sri Dr. Teh Hong Piow

Chairman

Business review

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

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

Profit and loss analysis

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

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

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

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

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

Balance sheet analysis

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

Segmental information

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

Asset quality

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

The consolidated capital adequacy ratio of JCG Finance Company, Limited ("JCG Finance"), a wholly-owned subsidiary of the Company, decreased by 4.48% to 38.69% at the end of 2004 when compared to 43.17% at the end of 2003.

Funding and capital management

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

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

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

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

Human resources management

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

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

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

Contingent liabilities

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

Tan Sri Dato' Sri Dr. Teh Hong Piow

Tan Sri Dato' Sri Dr. Teh Hong Piow, aged 74, is the founder, Chairman and controlling shareholder of Public Bank Berhad ("Public Bank"), the ultimate holding company. He has more than 55 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 a Fellow of several institutes which include the Institute of Bankers Malaysia; the Chartered Institute of Bankers, U.K.; the Institute of Administrative Management, U.K.; the Institute of Chartered Secretaries and Administrators, Australia; and the Malaysian Institute of Management. 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; and is a founder member of the Advisory Business Council since 2003. He also holds directorships in several other companies in the Public Bank Group.

Mr. Tan Yoke Kong

Mr. Tan Yoke Kong, aged 52, has more than 23 years of experience in the banking and finance industry. He was appointed an Executive Director of the Company in February 1992. He is a Fellow of the Association of Chartered Certified Accountants, U.K. and an Associate of the Institute of Chartered Secretaries and Administrators, U.K. He is currently the Vice-chairman of The DTC Association and is a member of the Deposit-taking Companies Advisory Committee in Hong Kong.

Datuk Tay Ah Lek

Datuk Tay Ah Lek aged 62, has 44 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. He is the Managing Director of Public Bank.

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

Mr. Lee Huat Oon

Mr. Lee Huat Oon, aged 42, has more than 17 years of experience in the banking and finance industry. He was appointed an Executive Director of the Company in June 1996. He holds a degree in Accounting from the University of Malaya and is a Registered Accountant with the Malaysian Institute of Accountants.

Mr. Wong Kong Ming

Mr. Wong Kong Ming, aged 51, has over 29 years of experience in the banking and finance industry. He was appointed a Non-executive Director of the Company in June 1996. He is the General Manager of Public Bank, Hong Kong Branch. He is an Associate of the Chartered Institute of Bankers, U.K; the Institute of Bankers Malaysia and the Malaysian Institute of Management. He is a holder of Masters of Business Administration degree.

Mr. Chang Kat Kiam

Mr. Chang Kat Kiam, aged 50, has 30 years of experience in the banking and finance industry. He was appointed a Non-executive Director of the Company in March 2004. He is currently the Senior General Manager and Head of Retail Banking 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. Geh Cheng Hooi, Paul

Mr. Geh Cheng Hooi, Paul, aged 70, was appointed an Independent Non-executive Director of the Company in March 1995 and is a member of the Audit 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.

Dato' Yeoh Chin Kee

Dato' Yeoh Chin Kee, aged 62, has 44 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. 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. Lee Chin Guan

Mr. Lee Chin Guan, aged 46, has 12 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. 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.



◀ The Board of Directors at the Company's 2004 Annual General Meeting held at the JW Marriott Hotel Hong Kong in March 2004.

▶ Participants at the Management Seminar 2004 on "Enneagram".



◀ Our Chief Executive, Mr. Tan Yoke Kong delivered his opening speech at the Management Seminar 2004 held at the Holiday Inn Golden Mile.



◀ The Board of Directors enjoyed the staff performance at the Group's Annual Dinner 2004 held at the JW Marriott Hotel Hong Kong in July 2004.

▶ Frontline staff participated attentively at the 2004 Customer Service Workshop held at the BP International House in August 2004.





▲ Staff and family members posed at the entrance of the Bird's Paradise during the Group Annual Outing 2004 to Xin Hui, Guangdong, China.



▲ Staff talent at the 2004 Annual Dinner.



◀ Winners of the 2004 Inter-house Bowling Competition organised by JCG Sports Club.



◀ Presentation of the 20 Years Long Service Award by our Group Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow at the 2004 Annual Dinner.



▲ Our Chief Executive, Mr. Tan Yoke Kong, receiving a trophy from the Director of Leisure and Cultural Services, Hong Kong, Ms. Anissa Wong, at the 2004 Corporate Games Opening Ceremony held in October 2004.



▲ Staff members participating in the annual charity event "Run with Your Heart 2004" before the 12 hours non-stop run around the clock on New Year Eve of 2004.



▲ Congratulations to our winning team after the 12-hour relay run on the New Year Eve 2004 charity run.



◀ A family day outing for our staff during the Dragon Boat Festival organised by JCG Sports Club in June 2004.

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2004.

Principal activities

The Company acted as an investment holding company during the year. The principal activities of its subsidiaries 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 2004 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 25 to 64.

A first interim dividend of HK\$0.05 (2003: HK\$0.04) per ordinary share together with a special dividend of HK\$1.75 (2003: Nil) per ordinary share were paid on 30 September 2004. A second interim dividend of HK\$0.40 (2003: HK\$0.20) per ordinary share was declared on 30 December 2004 and will be payable on 22 February 2005 to shareholders of the Company whose names appear on the register of members on 7 February 2005. The directors do not recommend the payment of a final dividend (2003: 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 page 7.

Investment properties and fixed assets

Details of movements in the investment properties and fixed assets of the Group are set out in notes 19 and 23 to the financial statements, respectively.

Share capital and share options

Details of the Company's share capital and share options are set out in notes 29 and 30 to the financial statements, respectively.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's bye-laws ("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 31 to the financial statements and the consolidated summary statement of changes in equity.

Distributable reserves

The Company's contributed surplus is distributable to shareholders in accordance with the Companies Act 1981 of Bermuda. At 31 December 2004, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$94,193,000 (inclusive of the Company's contributed surplus) as computed in accordance with the generally accepted accounting principles of Hong Kong, SAR. In addition, the Company's share premium account in the amount of approximately HK\$1,209,593,000 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*
Datuk Tay Ah Lek
Wong Kong Ming
Chang Kat Kiam (appointed on 26 March 2004)

Executive Directors:

Tan Yoke Kong
Lee Huat Oon

Independent Non-executive Directors:

Geh Cheng Hooi, Paul
Dato' Yeoh Chin Kee
Lee Chin Guan (appointed on 23 September 2004)

In accordance with the Bye-laws, Mr. Chang Kat Kiam and Mr. Lee Chin Guan will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company still considers such directors to be independent.

Directors' remuneration and the five highest paid individuals

Details of directors' remuneration and that 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, whether direct or indirect, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

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

Interests in	Note	Name of director	Number of ordinary shares			Total	Percentage of interest in issued share capital
			Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
1. The Company		Tan Sri Dato' Sri Dr. Teh Hong Piow	-	-	466,768,110	466,768,110	65.9502
		Tan Yoke Kong	50,000	-	-	50,000	0.0071
2. Public Bank, the ultimate holding company	1	Tan Sri Dato' Sri Dr. Teh Hong Piow	781,250	-	799,668,596	800,449,846	23.8530
	1	Datuk Tay Ah Lek	5,822,609	-	139,482	5,962,091	0.1777
	1	Dato' Yeoh Chin Kee	250,000	25,000	-	275,000	0.0082
	1	Lee Chin Guan	1,250,000	-	-	1,250,000	0.0372
	1	Chang Kat Kiam	191,735	-	-	191,735	0.0057
	1	Tan Yoke Kong	15,000	-	-	15,000	0.0004
	1	Lee Huat Oon	5,000	-	-	5,000	0.0001
	1	Wong Kong Ming	169,386	-	-	169,386	0.0050
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

Note 1: 2 shares of RM0.50 each of Public Bank were consolidated into 1 share of RM1.00 each during the year.

Tan Sri Dato' Sri Dr. Teh Hong Piow, by virtue of his direct and deemed interests of 800,449,846 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 an associated corporation

Interests in	Name of director	Number of ordinary shares attached to the share options			At the end of the year	Exercise price	Exercisable period	
		At the beginning of the year	Granted during the year	Exercised during the year				
Public Bank	Tan Sri Dato' Sri Dr. Teh Hong Piow	125,000 [#]	–	125,000 [#]	–	RM1.64 [#]	10.4.1998 to 24.2.2006	
		37,500 [#]	–	37,500 [#]	–	RM1.64 [#]	23.4.2001 to 24.2.2006	
		18,180,000 [#]	–	18,180,000 [#]	–	RM3.56 [#]	6.6.2002 to 24.2.2006	
		40,625 [#]	–	40,625 [#]	–	RM1.64 [#]	18.7.2002 to 24.2.2006	
		4,545,000 [#]	–	4,545,000 [#]	–	RM3.56 [#]	18.7.2002 to 24.2.2006	
		50,782 [#]	–	50,782 [#]	–	RM1.64 [#]	25.7.2003 to 24.2.2006	
		5,681,250 [#]	–	5,681,250 [#]	–	RM3.56 [#]	25.7.2003 to 24.2.2006	
		–	20,743,000	–	20,743,000	–	RM4.92	9.6.2004 to 24.2.2006
		28,660,157	20,743,000	28,660,157	20,743,000	–		
			Datuk Tay Ah Lek	87,500 [#]	–	87,500 [#]	–	RM1.64 [#]
		26,250 [#]	–	26,250 [#]	–	RM1.64 [#]	23.4.2001 to 24.2.2006	
		5,000,000 [#]	–	5,000,000 [#]	–	RM3.56 [#]	6.6.2002 to 24.2.2006	
		28,438 [#]	–	28,438 [#]	–	RM1.64 [#]	18.7.2002 to 24.2.2006	
		1,250,000 [#]	–	500,000 [#]	750,000 [#]	RM3.56 [#]	18.7.2002 to 24.2.2006	
		35,547 [#]	–	35,547 [#]	–	RM1.64 [#]	25.7.2003 to 24.2.2006	
		1,562,500 [#]	–	–	1,562,500 [#]	RM3.56 [#]	25.7.2003 to 24.2.2006	
		–	2,000,000 [#]	–	2,000,000 [#]	RM4.60 [#]	6.2.2004 to 24.2.2006	
		–	5,000,000	–	5,000,000	RM4.92	9.6.2004 to 24.2.2006	
		7,990,235	7,000,000	5,677,735	9,312,500			
	Dato' Yeoh Chin Kee	–	2,250,000	250,000	2,000,000	RM4.92	9.6.2004 to 24.2.2006	
	Lee Chin Guan	–	1,250,000	1,250,000	–	RM4.92	9.6.2004 to 24.2.2006	

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

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

Interests in	Name of director	Number of ordinary shares attached to the share options			At the end of the year	Exercise price	Exercisable period
		At the beginning of the year	Granted during the year	Exercised during the year			
Public Bank	Chang Kat Kiam	264,063 [#]	–	264,063 [#]	–	RM3.56 [#]	6.6.2002 to 24.2.2006
		175,000 [#]	–	50,000 [#]	125,000 [#]	RM4.60 [#]	22.12.2003 to 24.2.2006
		439,063	–	314,063	125,000		
	Tan Yoke Kong	–	15,000	15,000	–	RM4.92	25.6.2004 to 24.2.2006
	Lee Huat Oon	–	5,000	5,000	–	RM4.92	25.6.2004 to 24.2.2006
Wong Kong Ming		50,000 [#]	–	50,000 [#]	–	RM3.56 [#]	6.6.2002 to 24.2.2006
		12,500 [#]	–	12,500 [#]	–	RM3.56 [#]	18.7.2002 to 24.2.2006
		15,625 [#]	–	15,625 [#]	–	RM3.56 [#]	25.7.2003 to 24.2.2006
		–	15,000	–	15,000	RM4.92	17.6.2004 to 24.2.2006
		78,125	15,000	78,125	15,000		

The number of ordinary shares at par value of RM0.50 each attached to the share options and the relevant exercise prices have been adjusted to reflect the consolidation of 2 shares of RM0.50 each into 1 share of RM1.00 each of Public Bank during the year.

Note: The options to subscribe for ordinary shares of RM1.00 (RM0.50 prior to completion of the aforesaid share consolidation on 2 June 2004) each in Public Bank were first granted on 10 April 1998 under the Public Bank Berhad Employees' Share Option Scheme ("PBB ESOS"). Following approvals from the relevant authorities and the shareholders of Public Bank at the extraordinary general meetings held on 20 May 2002 and 20 April 2004, the PBB ESOS has been extended for a total of three years to 25 February 2006. Hence, the exercisable period of the options has also been extended up to and including 24 February 2006. 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 scheme disclosed above and set out in note 30 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 acquisitions of shares in, or debentures of, the Company or in any other body corporate.

Directors' interests in competing business

Tan Sri Dato' Sri Dr. Teh Hong Piow and Datuk 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 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 were referred by Winton Holdings (Bermuda) Limited ("Winton") and its subsidiaries 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	65.9502
Other person			
2. The Capital Group Companies, Inc.	Investment manager	41,363,278	5.8443

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 lease 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 lease 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 lease 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.

- (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\$5,397,000 (2003: HK\$9,975,000).

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 fixed deposits with Public Bank at prevailing market rates. As at 31 December 2004, the fixed deposits placed amounted to HK\$176,000 (2003: HK\$1,010,505,000). Interest income received/receivable by the Group for the year from Public Bank in respect of the placements amounted to approximately HK\$4,590,000 (2003: HK\$8,978,000).
- (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 under normal commercial terms by JCG Finance. As at 31 December 2004, fixed deposits placed amounted to HK\$700,161,000 (2003: Nil). Interest paid/payable to PB Trust (L) Ltd for the year by JCG Finance in respect of the placements amounted to approximately HK\$2,005,000 (2003: Nil).

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 Hong Kong Monetary Authority (“HKMA”).

Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting year covered by this annual report. The Non-executive Directors and Independent Non-executive Directors of the Company are appointed subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the provisions of the Bye-laws.

Model Code for securities transactions by directors

The Company has adopted for compliance by the directors the code of conduct for dealings in securities of the Company as set out in the Model Code of the Listing Rules, and that the directors have complied with the required standards set out in the Model Code throughout the accounting year covered by this annual report.

Sufficiency of public float

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

Audit Committee

The Company has an Audit Committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee comprises three Independent Non-executive Directors and a Non-executive Director of the Company.

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

12 January 2005



To the members

JCG Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 25 to 64 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 Statements of Auditing Standards 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 2004 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

12 January 2005

Consolidated Profit and Loss Account

For the year ended 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Interest income		712,792	723,327
Interest expense		(13,367)	(32,366)
NET INTEREST INCOME		699,425	690,961
Other operating income	4	200,253	169,988
OPERATING INCOME		899,678	860,949
Operating expenses	5	(233,170)	(186,313)
OPERATING PROFIT BEFORE PROVISIONS		666,508	674,636
Provisions for bad and doubtful debts	7	(173,342)	(415,173)
PROFIT BEFORE TAX		493,166	259,463
Tax	10	(80,277)	(27,460)
PROFIT BEFORE MINORITY INTERESTS		412,889	232,003
Minority interests		–	130
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	412,889	232,133
DIVIDENDS	12		
Interim		318,492	169,860
Special		1,238,577	–
		1,557,069	169,860
EARNINGS PER SHARE (HK\$)	13		
Basic		0.583	0.328
Diluted		N/A	N/A

Balance Sheets

31 December 2004

	Notes	Group		Company	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
ASSETS					
Cash and short term placements	14	790,924	1,253,221	272,328	1,045,930
Placements with banks and financial institutions maturing between one and three months	15	5,000	176,901	–	413,752
Loans and advances	6	3,033,640	2,883,157	–	–
Other assets	16	130,109	219,414	159	589
Long term listed equity investment	18	16,744	13,565	–	–
Investment properties	19	68,740	57,430	–	–
Interests in subsidiaries	20	–	–	1,353,811	1,353,811
Negative goodwill	22	(55,297)	(73,730)	–	–
Fixed assets	23	298,049	323,132	32,412	32,654
TOTAL ASSETS		4,287,909	4,853,090	1,658,710	2,846,736
LIABILITIES					
Customer deposits	25	1,720,381	1,309,344	–	–
Declared dividend		283,104	141,552	283,104	141,552
Other liabilities	26	121,144	97,913	1,044	771
TOTAL LIABILITIES		2,124,629	1,548,809	284,148	142,323
CAPITAL RESOURCES					
Share capital	29	70,776	70,776	70,776	70,776
Reserves	31	2,092,504	3,233,505	1,303,786	2,633,637
TOTAL CAPITAL RESOURCES		2,163,280	3,304,281	1,374,562	2,704,413
TOTAL LIABILITIES AND CAPITAL RESOURCES		4,287,909	4,853,090	1,658,710	2,846,736

Tan Yoke Kong
Director

Lee Huat Oon
Director

Consolidated Summary Statement of Changes in Equity

For the year ended 31 December 2004

	Note	2004 HK\$'000	2003 HK\$'000
TOTAL EQUITY			
Balance at beginning of year		3,304,281	3,301,343
Surplus on revaluation of long term listed equity investment	31	3,179	5,676
Gain on redemption of minority interests, net of loss on diluted shareholding of a subsidiary	31	-	30,536
Net gains not recognised in the consolidated profit and loss account		3,179	36,212
Net profit from ordinary activities attributable to shareholders		412,889	232,133
Dividends paid/declared on shares		(1,557,069)	(265,407)
		(1,144,180)	(33,274)
Balance at end of year		2,163,280	3,304,281

Consolidated Cash Flow Statement

For the year ended 31 December 2004

	Note	2004 HK\$'000	2003 HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES			
	32	780,966	107,640
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		(1,730)	(34,440)
Purchase of additional interests in a subsidiary		–	(92,694)
Dividends from a listed equity investment		2,037	491
Gain on disposal of a subsidiary		46	–
Net cash from/(used in) investing activities		353	(126,643)
CASH FLOWS FROM FINANCING ACTIVITY			
Dividends paid on shares		(1,415,517)	(123,855)
Net cash used in financing activity		(1,415,517)	(123,855)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(634,198)	(142,858)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		1,430,122	1,572,980
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		795,924	1,430,122
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and short term placements		790,924	1,253,221
Placements with banks and financial institutions maturing within three months		5,000	176,901
		795,924	1,430,122

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice ("SSAPs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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 fixed assets and long term 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 2004. 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

Positive/(negative) goodwill arising on the acquisition of subsidiaries and associates represents the excess/(deficit) of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

In prior years, positive/(negative) goodwill arising on acquisitions was eliminated against/(credited to) consolidated reserves in the year of acquisition. Upon SSAP 30 "Business Combinations" becoming effective, the Group adopted the transitional provision of SSAP 30 that permits positive/(negative) goodwill on acquisitions, which occurred prior to 1 January 2001, to remain eliminated against/(credited to) consolidated reserves.

For acquisitions subsequent to the adoption of SSAP 30, negative goodwill is shown as carrying amount, net of amortisation, in the balance sheet and the negative goodwill is amortised over five years on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of positive goodwill is reviewed annually and written down for impairment where it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

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

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost, except for certain leasehold land and buildings which were transferred from investment properties, which are stated at their valuation 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 fixed assets 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.

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:

Long term leasehold land	Over the remaining lease terms
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%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sale proceeds and the carrying amount of the relevant asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of 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 value in use or 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 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.

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 are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Intangible assets

Intangible assets, representing eligibility rights to trade on or through the Stock Exchange are stated at cost less accumulated amortisation and impairment losses, if any.

Amortisation is calculated on the straight-line basis to write off the cost of the trading right over its estimated useful life of ten years.

Deferred expenditure

Deferred expenditure represents the unamortised portion of net commission expenses. Commission expenses, paid or payable to dealers for the referral of financing business, are netted off against the related commission receivable from co-financing banks under the co-financing arrangements, if any. The remaining balance is amortised and charged to the profit and loss account over the average lives of the financing transactions of approximately three years, by adoption of the straight-line method. Upon early settlement of a financing transaction, the related unamortised balance is charged to the profit and loss account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long term investments

Long term investments are non-trading investments in listed equity securities intended to be held on a long term basis. The securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis.

The gains or losses arising from changes in the fair values of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account for the period in which the impairment arises.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined as the actual cost for taxi cabs and taxi licences. Net realisable 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 and short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

Income tax

Income tax comprises current and deferred tax. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all material deductible temporary differences, carryforward of unused tax assets 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 assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from negative 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 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 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.

Provisions for bad and doubtful debts

Provisions are made against loans and advances in accordance with guidelines on the loan classification system issued by the HKMA. Loans and advances are stated in the financial statements net of these provisions.

In general, specific provisions are made for loans when their condition has worsened and they are reclassified as special mention, substandard, doubtful and loss loans, and the market value of the collateral security is insufficient to cover the loan balance. A specific provision of 20% to 100% is applied to the unsecured portion of the loans classified as special mention, substandard, doubtful and loss. The unsecured portion of a loan is the difference between the loan balance outstanding and the net realisable value of the collateral security. A specific provision of 2% is applied to secured floating rate taxi financing loans classified as special mention.

A general provision of 2% is applied to secured loans classified as pass; and a general provision of 3% to 30% is applied to unsecured loans classified as pass, special mention and substandard. In addition, an amount is set aside as a general provision for doubtful loans and advances, when it is considered necessary. Provisions are also made against other debtors as and when they are considered doubtful by the directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Write off of bad debts

The write off of bad debts is generally based on the overdue status of loans and advances. Monthly write offs are made against loans and advances taking into account the overdue status and other qualitative factors such as bankruptcy petitions and individual voluntary arrangement of debts by borrowers.

Reposessed assets

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

Co-financing operations

The Group and its co-financing banks jointly provide hire purchase loans under the co-financing arrangements. The amounts receivable by the Group in connection with its hire purchase financing activities are shown in the balance sheet as loan instalment receivables net of unearned interest. Interest income receivable from each hire purchase loan jointly provided by the Group and co-financing banks is recognised using the sum of digits method. The Group's share of interest income on hire purchase loans is calculated after deduction of the interest entitlements of the co-financing banks.

Commission expenses, after netting off any related commission receivable from co-financing banks under the co-financing arrangements, are amortised and charged to the profit and loss account over the average lives of the financing transactions of approximately three years, using the straight-line basis.

Foreign currencies

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.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year. The balance sheets of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. 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 per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled or 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 to 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 a time proportion basis taking into account the principal outstanding and the effective interest rate applicable, and on the basis as set out under the heading "Co-financing operations". Interest income arising from loans and advances ceases to accrue when there are more than two and three overdue instalments for unsecured and secured loans, respectively;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

3. 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:

- 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 size manufacturing companies, and the provision of finance to purchasers of licensed public vehicles such as taxis and public light buses.
- 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 were mainly related to dealers' commission from referrals of taxi financing loans, and these transactions were entered into at similar terms and conditions as those contracted with third parties at the dates of the transactions.

3. 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 2004 and 2003, and certain asset and liability information regarding business segments as at 31 December 2004 and 2003.

Group	Personal and commercial lending		Taxi trading and related operations, and other businesses		Eliminated on consolidation		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Segment revenue								
Net interest income	699,411	690,897	14	64	-	-	699,425	690,961
Other operating income:								
Fees and commission income	165,541	139,851	3,045	1,325	-	-	168,586	141,176
Others	-	3,566	13,188	6,813	-	-	13,188	10,379
Inter-segment transactions	-	-	7,879	6,746	(7,879)	(6,746)	-	-
	864,952	834,314	24,126	14,948	(7,879)	(6,746)	881,199	842,516
Unallocated revenue:								
Amortisation of negative goodwill							18,433	18,433
Gain on disposal of a subsidiary							46	-
							899,678	860,949
Segment results	458,495	237,063	16,218	6,408	-	-	474,713	243,471
Amortisation of negative goodwill and an intangible asset							18,407	18,408
Gain on disposal of a subsidiary							46	-
Unallocated expenses							-	(2,416)
Profit before tax							493,166	259,463
Tax							(80,277)	(27,460)
Minority interests							-	130
Net profit from ordinary activities attributable to shareholders							412,889	232,133
Segment assets	4,187,751	4,732,414	134,964	150,746	-	-	4,322,715	4,883,160
Unallocated assets:								
Negative goodwill and an intangible asset							(55,171)	(73,578)
Deferred tax assets and tax recoverable							20,365	43,508
Total assets							4,287,909	4,853,090
Segment liabilities	1,752,405	1,353,053	40,527	38,701	-	-	1,792,932	1,391,754
Unallocated liabilities:								
Declared dividend							283,104	141,552
Deferred tax liabilities and tax payable							48,593	15,503
Total liabilities							2,124,629	1,548,809

3. SEGMENTAL INFORMATION (Continued)

(a) By business segments (Continued)

Group	Personal and commercial lending		Taxi trading and related operations, and other businesses		Eliminated on consolidation		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Other segmental information extracted from the profit and loss account and balance sheet								
Capital expenditure	1,730	34,440	-	-	-	-	1,730	34,440
Amortisation and write off of commission expenses	3,721	3,444	-	-	-	-	3,721	3,444
Depreciation	8,153	9,669	-	-	-	-	8,153	9,669
Impairment loss on leasehold land and buildings	18,306	-	-	-	-	-	18,306	-
(Surplus)/deficit on revaluation of investment properties	-	-	(10,958)	690	-	-	(10,958)	690
Provisions for bad and doubtful debts	173,342	415,173	-	-	-	-	173,342	415,173
Write back for other doubtful debts	(69)	(3,793)	-	-	-	-	(69)	(3,793)
Gain on disposal of a subsidiary	(46)	-	-	-	-	-	(46)	-
Loss on disposal of fixed assets	2	114	-	-	-	-	2	114

(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.

4. OTHER OPERATING INCOME

	Group	
	2004 HK\$'000	2003 HK\$'000
Fees and commission income	168,586	141,176
Gross rental income	6,774	5,296
Less: Outgoing expenses	(363)	(379)
Net rental income	6,411	4,917
Loss on disposal of fixed assets	(2)	(114)
Dividends from a listed equity investment	2,037	491
Gain on disposal of a subsidiary	46	-
Others	4,742	5,085
Operating income before amortisation of negative goodwill	181,820	151,555
Amortisation of negative goodwill	18,433	18,433
	200,253	169,988

5. OPERATING EXPENSES

	Group	
	2004 HK\$'000	2003 HK\$'000
Staff costs:		
Salaries and other staff costs	100,028	78,632
Pension contributions	6,368	6,350
Less: Forfeited contributions	(215)	(225)
Net pension contributions	6,153	6,125
	106,181	84,757
Other operating expenses:		
Operating lease rentals on leasehold land and buildings	19,628	20,252
Depreciation	8,153	9,669
Amortisation of an intangible asset	26	25
Auditors' remuneration	1,411	1,442
Amortisation and write off of commission expenses	3,721	3,444
Write back for other doubtful debts	(69)	(3,793)
Administrative and general expenses	20,855	18,788
Others	65,916	51,039
Operating expenses before impairment loss on properties	225,822	185,623
Impairment loss on leasehold land and buildings	18,306	-
(Surplus)/deficit on revaluation of investment properties	(10,958)	690
Impairment loss on properties	7,348	690
	233,170	186,313

As at 31 December 2004, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2003: Nil). The current year credits arose in respect of staff who left the scheme during the year.

6. LOANS AND ADVANCES

(a) Advances to customers and other accounts

	Group	
	2004 HK\$'000	2003 HK\$'000
Loans and advances to customers	3,249,726	3,133,461
Interest receivable	45,129	57,750
	3,294,855	3,191,211
Provisions for bad and doubtful debts (note 7):		
Specific	(150,833)	(116,273)
General	(110,382)	(191,781)
	(261,215)	(308,054)
	3,033,640	2,883,157

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

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Repayable:		
On demand	21,929	42,101
Within three months or less	487,806	565,955
Within one year or less but over three months	1,116,740	1,099,647
Within five years or less but over one year	1,043,277	691,399
After five years	369,050	551,868
Undated	210,924	182,491
	3,249,726	3,133,461

6. LOANS AND ADVANCES (Continued)

(b) Gross amount of non-performing loans and advances to customers on which interest has ceased to be accrued

	2004		2003	
	Gross amount HK\$'000	Percentage of total loans and advances	Gross amount HK\$'000	Percentage of total loans and advances
Group				
Gross advances to customers which have been overdue on which interest has ceased to be accrued:				
Overdue for:				
Six months or less but over three months	48,870	1.5	73,265	2.3
One year or less but over six months	25,133	0.8	32,587	1.0
Over one year	52,163	1.6	51,902	1.7
	126,166	3.9	157,754	5.0
Overdue for three months or less	20,402	0.6	31,322	1.0
	146,568	4.5	189,076	6.0
Rescheduled and overdue for:				
Six months or less but over three months	–	–	2,461	0.1
One year or less but over six months	23	–	68,103	2.2
Over one year	61,364	1.9	–	–
	61,387	1.9	70,564	2.3
Total non-performing loans and advances	207,955	6.4	259,640	8.3
Specific provisions	(150,833)		(116,273)	
	57,122		143,367	

There are no advances which are overdue for more than three months on which interest is still being accrued.

6. LOANS AND ADVANCES (Continued)

(c) Interest-accrual rescheduled loans

	2004		Group		2003	
	Gross amount HK\$'000	Percentage of total loans and advances	Gross amount HK\$'000	Percentage of total loans and advances	Gross amount HK\$'000	Percentage of total loans and advances
Gross advances to customers which have been rescheduled	1,683	0.1	2,246	0.1		

(d) Repossessed assets

The amount of repossessed assets was less than 1% (2003: less than 1%) of total gross loans and advances and was immaterial to the Group, and was not separately disclosed accordingly.

7. PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	Group		Total HK\$'000
	Specific HK\$'000	General HK\$'000	
At 1 January 2003	123,151	208,271	331,422
Recoveries	17,905	–	17,905
Charge/(write back) for the year	449,568	(16,490)	433,078
Amounts released	(17,905)	–	(17,905)
<i>Net charge/(write back) to the profit and loss account</i>	431,663	(16,490)	415,173
Amounts written off	(456,446)	–	(456,446)
At 31 December 2003 and 1 January 2004	116,273	191,781	308,054
Recoveries	46,609	–	46,609
Charge/(write back) for the year	301,350	(81,399)	219,951
Amounts released	(46,609)	–	(46,609)
<i>Net charge/(write back) to the profit and loss account</i>	254,741	(81,399)	173,342
Amounts written off	(266,790)	–	(266,790)
At 31 December 2004	150,833	110,382	261,215

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
.....		
Fees:		
Executive	90	105
Non-executive	364	298
Independent non-executive	191	210
	645	613
Other emoluments:		
Basic salaries, housing, other allowances and benefits in kind	1,736	1,648
Bonuses paid and payable	587	545
Pension scheme contributions	192	182
	3,160	2,988
.....		

In addition to the directors' remuneration disclosed above, one director occupies a property of the Group rent free. The estimated monetary value of the accommodation so provided to that director and not charged to the profit and loss account is HK\$540,000 (2003: HK\$540,000).

There were no other emoluments payable to the Independent Non-executive Directors during the year (2003: Nil).

The number of directors whose remuneration fell within the bands set out below is as follows:

	2004	2003
	Number of directors	Number of directors
.....		
Nil – HK\$1,000,000	7	5
HK\$1,000,001 – HK\$1,500,000	2	2
	9	7
.....		

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included two (2003: two) directors, details of whose remuneration are set out in note 8 above. The details of the remuneration of remaining three (2003: three) highest paid individuals for the year are as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Basic salaries, housing, other allowances and benefits in kind	2,281	2,261
Bonuses paid and payable	324	344
Pension scheme contributions	144	142
	2,749	2,747

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

	2004 Number of individuals	2003 Number of individuals
Nil – HK\$1,000,000	2	2
HK\$1,000,001 – HK\$1,500,000	1	1
	3	3

10. TAX

	Group	
	2004 HK\$'000	2003 HK\$'000
Hong Kong:		
Current tax charge	71,386	20,694
Under provisions in prior years	1,750	–
Impairment loss arising from investment in partnership	–	14,144
Deferred tax charge/(income) (note 28)	7,141	(7,378)
	80,277	27,460

10. TAX (Continued)

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

A reconciliation of the tax expense applicable to accounting 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			
	2004		2003	
	HK\$'000	%	HK\$'000	%
.....				
Hong Kong:				
Profit before tax	493,166		259,463	
Tax at the applicable tax rate	86,304	17.5	45,406	17.5
Estimated tax effect of net income that is not taxable	(5,857)	(1.2)	(10,009)	(3.9)
Estimated tax losses from previous periods utilised	(2,194)	(0.5)	(4,566)	(1.7)
Estimated tax losses not recognised	274	0.1	457	0.2
Under provisions in prior years	1,750	0.4	–	–
Attributable share of estimated profits tax losses arising from investment in partnership, net of impairment loss	–	–	(5,106)	(2.0)
Increase in opening deferred taxes resulting from increase in tax rate (note 28)	–	–	1,278	0.5
Tax charge at the Group's effective rate	80,277	16.3	27,460	10.6
.....				

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company was HK\$227,218,000 (2003: HK\$199,823,000).

12. DIVIDENDS

	2004 HK\$ per ordinary share	2003 HK\$ per ordinary share	2004 HK\$'000	2003 HK\$'000
Interim:				
First	0.05	0.04	35,388	28,308
Second	0.40	0.20	283,104	141,552
Special	1.75	–	1,238,577	–
	2.20	0.24	1,557,069	169,860

13. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$412,889,000 (2003: HK\$232,133,000) and the weighted average number of 707,758,412 (2003: 707,758,412) ordinary shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2004 and 2003 have not been presented as no diluting events existed during these years.

14. CASH AND SHORT TERM PLACEMENTS

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Cash and balances with banks and other financial institutions	111,189	56,132	964	697
Money at call and short notice	679,735	1,197,089	271,364	1,045,233
	790,924	1,253,221	272,328	1,045,930

Certain of the Group's cash and balances with banks and other financial institutions, amounting to HK\$21,995,000 (2003: HK\$315,000), were placed with the ultimate holding company.

The Group's money at call and short notice includes fixed deposits placed with the ultimate holding company of HK\$176,000 (2003: HK\$858,606,000).

At 31 December 2003, certain of the Company's money at call and short notice, amounting to HK\$38,000,000, was deposited with JCG Finance.

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 (2003: HK\$5,000,000), were pledged to a bank for credit facilities of HK\$5,000,000 (2003: HK\$5,000,000) granted to the Group. The credit facilities were not utilised during the year (2003: Nil).

At 31 December 2003, the Group's placements with banks, amounting to HK\$151,899,000, were placed with the ultimate holding company.

At 31 December 2003, certain of the Company's placements with financial institutions, amounting to HK\$261,853,000, were placed with JCG Finance.

16. OTHER ASSETS

	Notes	Group		Company	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Inventories	17	29,649	31,816	–	–
Interest receivable from banks		17	130	3	433
Tax recoverable		–	9,533	–	–
Other debtors, deposits and prepayments		79,907	141,047	156	156
Deferred expenditure		45	2,761	–	–
Intangible asset	21	126	152	–	–
Deferred tax assets	28	20,365	33,975	–	–
		130,109	219,414	159	589

Other assets are shown net of provisions.

Included in other debtors, deposits and prepayments were other receivables of HK\$69,386,000 (2003: HK\$78,416,000), which were secured by taxi licences, cash and a property. Full provision has been made for the unsecured portion.

At 31 December 2003, other debtors, deposits and prepayments included an investment in a partnership, net of impairment, of HK\$24,685,000.

As the trade receivables were immaterial to the Group, the maturity profile thereof has not been disclosed.

At 31 December 2003, included in interest receivable from banks was HK\$117,000 for deposits placed with the ultimate holding company.

17. INVENTORIES

Included in inventories were taxi licences and taxi cabs amounting to HK\$29,649,000 (2003: HK\$31,816,000).

None of the inventories of the Group were carried at net realisable value as at the balance sheet date (2003: Nil).

18. LONG TERM LISTED EQUITY INVESTMENT

	Group	
	2004	2003
	HK\$'000	HK\$'000
At beginning of year	13,565	7,889
Movement in market value	3,179	5,676
Listed equity investment in Hong Kong, at market value	16,744	13,565

Long term listed equity investment represented 805,000 ordinary shares of HK\$1.00 each in Hong Kong Exchanges and Clearing Limited.

19. INVESTMENT PROPERTIES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Balance at beginning of year	57,430	60,080
Transfer from/(to) leasehold land and buildings	352	(1,960)
Carrying amount before revaluation	57,782	58,120
Revaluation surplus/(deficit)	10,958	(690)
Balance at end of year	68,740	57,430

19. INVESTMENT PROPERTIES (Continued)

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

	Group 2004 HK\$'000
.....	
At valuation:	
Medium term leases	38,600
Long term leases	30,140
	68,740

Investment properties with a carrying amount of HK\$57,782,000 were revalued on 15 December 2004 at HK\$68,740,000 by Chung Sen Surveyors Limited, a firm of independent professionally qualified valuers, on an open market value based on their existing use. A revaluation surplus of HK\$10,958,000 on a portfolio basis, 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 33.

No investment property was pledged to secure banking facilities granted to the Group at the balance sheet date. Certain of the above investment properties were pledged to secure banking facilities granted to the Group at the end of last year (note 35).

20. INTERESTS IN SUBSIDIARIES

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	1,353,811	1,353,811

Particulars of the Company's subsidiaries are as follows:

Name	Nominal value of issued ordinary share capital HK\$	Percentage of equity attributable to the Company		Principal activities
		Direct	Indirect	
JCG Finance Company, Limited	258,800,000	100	–	Deposit-taking and finance
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 Holdings (Bermuda) Limited	33,394,993	100	–	Investment holding
Eternal Success Company Limited	20	–	100	Property holding
Winsure Company, Limited	1,600,000	–	96.9	Dormant
Winton (B.V.I.) Limited	61,773	–	100	Investment and 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 Financial (Factoring) Limited	1,000,000	–	100	Dormant
Winton Motors, Limited	78,000	–	100	Trading of taxi cabs and taxi licences, and leasing of taxis
Winton Trading Company Limited	20	–	100	Trading of taxi cabs and taxi licences, and leasing of taxis

Note: Except for Winton Holdings (Bermuda) Limited, which was incorporated in Bermuda, and 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 principally operate in Hong Kong.

21. INTANGIBLE ASSET

	Group	
	2004 HK\$'000	2003 HK\$'000
Cost:		
At beginning and end of year	252	252
Accumulated amortisation:		
At beginning of year	100	75
Provided during the year	26	25
Balance at end of year	126	100
Net book value at end of year	126	152

22. NEGATIVE GOODWILL

The amount of negative goodwill recognised in the consolidated balance sheet, arising from the acquisition of interests in subsidiaries, is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Carrying amount:		
At beginning of year	92,163	–
Increase in interests in a subsidiary	–	92,163
Balance at end of year	92,163	92,163
Accumulated amortisation:		
At beginning of year	18,433	–
Provided during the year	18,433	18,433
Balance at end of year	36,866	18,433
Net book value at end of year	55,297	73,730

23. FIXED ASSETS

	Group				Company
	Leasehold land and buildings	Leasehold improvements, furniture, fixtures and equipment	Motor vehicles	Total	Leasehold land and buildings
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation:					
At 1 January 2004	355,965	75,934	2,746	434,645	32,715
Additions	-	1,730	-	1,730	-
Transfer to investment properties	(554)	-	-	(554)	-
Disposals	-	(1,417)	-	(1,417)	-
At 31 December 2004	355,411	76,247	2,746	434,404	32,715
Accumulated depreciation and impairment:					
At 1 January 2004	37,489	71,572	2,452	111,513	61
Provided during the year	5,303	2,556	294	8,153	242
Transfer to investment properties	(202)	-	-	(202)	-
Disposals	-	(1,415)	-	(1,415)	-
Impairment loss	18,306	-	-	18,306	-
At 31 December 2004	60,896	72,713	2,746	136,355	303
Net book value:					
At 31 December 2004	294,515	3,534	-	298,049	32,412
At 31 December 2003	318,476	4,362	294	323,132	32,654

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

	Group 2004 HK\$'000	Company 2004 HK\$'000
At cost or valuation:		
Medium term leases	108,971	-
Long term leases	246,440	32,715
	355,411	32,715

No leasehold land and buildings were pledged to secure banking facilities granted to the Group at 31 December 2004. Certain of the above leasehold land and buildings were pledged to secure banking facilities granted to the Group at the end of last year (note 35).

24. 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	
	2004 HK\$'000	2003 HK\$'000
Aggregate amount of principal and interest outstanding at end of year	1,227	2,109
Maximum aggregate amount of principal and interest outstanding during the year	2,109	2,317

25. 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	
	2004 HK\$'000	2003 HK\$'000
Repayable:		
On demand	4,528	4,026
Within three months or less	1,536,352	997,420
Within one year or less but over three months	165,274	300,468
Within five years or less but over one year	14,227	7,430
	1,720,381	1,309,344

The customer deposits repayable within three months or less included deposits accepted from a fellow subsidiary in the ordinary course of business and under normal commercial terms, which amounted to HK\$700,161,000 (2003: Nil) at the balance sheet date.

All the customer deposits were time deposits repayable at maturity dates.

26. OTHER LIABILITIES

	Notes	Group		Company	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Creditors, accruals and interest payable		67,889	77,687	744	471
Amount due to the ultimate holding company		394	338	300	300
Tax payable		39,559	–	–	–
Provision for long service payments	27	4,268	4,385	–	–
Deferred tax liabilities	28	9,034	15,503	–	–
		121,144	97,913	1,044	771

Included in creditors, accruals and interest payable were interest payable of HK\$1,344,000 (2003: Nil) to fixed deposits placed with JCG Finance from a fellow subsidiary.

As the trade payables are immaterial to the Group, the maturity profile thereof has not been disclosed.

27. PROVISION FOR LONG SERVICE PAYMENTS

	Group	
	2004 HK\$'000	2003 HK\$'000
Balance at beginning of year	4,385	4,611
Movement during the year	(117)	(226)
Balance at end of year	4,268	4,385

The Group provides for the probable future long service payments expected to be made to employees under the Employment Ordinance, as further explained under the sub-heading "Employment Ordinance long service payments" in note 2.

28. DEFERRED TAX

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

Group

Deferred tax assets:

	At 1 January 2003 HK\$'000	Deferred tax (charged)/ credited to the profit and loss account HK\$'000	At 31 December 2003 and 1 January 2004 HK\$'000	Deferred tax charged to the profit and loss account HK\$'000	At 31 December 2004 HK\$'000
.....					
(Note)					
General provision for bad and doubtful debts	33,323	(1,598)	31,725	(12,408)	19,317
Losses available for offset against future taxable profit	–	2,250	2,250	(1,202)	1,048
.....					
	33,323	652	33,975	(13,610)	20,365
.....					

Deferred tax liabilities:

	At 1 January 2003 HK\$'000	Deferred tax charged/ (credited) to the profit and loss account HK\$'000	At 31 December 2003 and 1 January 2004 HK\$'000	Deferred tax credited to the profit and loss account HK\$'000	At 31 December 2004 HK\$'000
.....					
(Note)					
Interest receivable that will be taxable only when received	9,630	(3,230)	6,400	(4,366)	2,034
Accelerated tax depreciation and revaluation of investment properties	6,060	940	7,000	–	7,000
Prepaid expense deducted from taxable profits in earlier years and others	5,738	(5,405)	333	(333)	–
Tax benefit arising from investment in partnership	801	969	1,770	(1,770)	–
.....					
	22,229	(6,726)	15,503	(6,469)	9,034
.....					

Note: Including a net charge of HK\$1,278,000 due to an increase in opening deferred tax resulting from an increase in tax rate in 2003 (note 10).

The Group has tax losses arising in Hong Kong of HK\$10,633,000 (2003: HK\$14,752,000) that are available indefinitely for offsetting against future taxable profits of the companies in which 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.

29. SHARE CAPITAL

	2004 HK\$'000	2003 HK\$'000
Ordinary shares		
Authorised: 1,000,000,000 (2003: 1,000,000,000) ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid: 707,758,412 (2003: 707,758,412) ordinary shares of HK\$0.10 each	70,776	70,776

30. SHARE OPTION SCHEME

Particulars in relation to the share option 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 SSAP 34 "Employee benefits" are as follows:

(a) Share option scheme of the Company (the "Scheme")

Since the adoption of the Scheme on 28 February 2002, no options to subscribe for shares in the Company have been granted to any eligible participants, including directors or their respective associates or employees of the Company, its holding company or any of its subsidiaries and associate.

(b) Summary of the Scheme

Purpose	:	To attract, retain and motivate talented eligible participants.
Participants	:	Eligible participants include: <ol style="list-style-type: none"> (i) any employee and director of the Company or any subsidiary or any associate or controlling shareholder; (ii) any discretionary trust whose discretionary objects include person(s) belonging to the aforesaid participants; (iii) a company beneficially owned by person(s) belonging to the aforesaid participants; and (iv) any business partner, agent, consultant, representative, customer or supplier of any member of the Group or controlling shareholder determined by the Board of Directors as having contributed or may contribute to the development and growth of the Group.

30. SHARE OPTION SCHEME (Continued)**(b) Summary of the Scheme (Continued)**

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	:	70,775,841 ordinary shares which represent 10% 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	:	No option will be exercisable earlier than 2 years or later than 5 years after the commencement date on which the option was granted and accepted.
Minimum period for which an option must be held before it can be exercised	:	50% must be held for a minimum period of 2 years and 50% must be held for a minimum period of 3 years after the commencement date on which the option was granted and accepted.
Amount payable on acceptance	:	HK\$1.00
Basis of determining the exercise price	:	Determined by the directors at their discretion based on the higher of: <ul style="list-style-type: none"> (i) the closing price of the ordinary shares on the Stock Exchange at the offer date; (ii) the average closing price of the ordinary shares on the Stock Exchange for 5 business days immediately preceding the offer date; and (iii) the nominal value of an ordinary share.
The remaining life of the Scheme	:	The Scheme remains in force until 27 February 2012.

There were no share options granted under the Scheme during the year.

31. RESERVES

Group	Share	Capital	Contributed surplus	Capital reserve	Translation reserve	Long term	Retained profits	Total
	premium account	redemption reserve				investment revaluation reserve		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2003	1,209,593	829	96,116	55,033	428	7,626	1,765,395	3,135,020
Movement in the market value (note 18)	-	-	-	-	-	5,676	-	5,676
Gain on redemption of minority interests, net of loss on diluted shareholding of a subsidiary	-	-	-	30,536	-	-	-	30,536
Dividends for 2003 (note 12)	-	-	-	-	-	-	(169,860)	(169,860)
Net profit for the year	-	-	-	-	-	-	232,133	232,133
At 31 December 2003 and 1 January 2004	1,209,593	829	96,116	85,569	428	13,302	1,827,668	3,233,505
Movement in the market value (note 18)	-	-	-	-	-	3,179	-	3,179
Dividends for 2004 (note 12)	-	-	-	-	-	-	(1,557,069)	(1,557,069)
Net profit for the year	-	-	-	-	-	-	412,889	412,889
At 31 December 2004	1,209,593	829	96,116	85,569	428	16,481	683,488	2,092,504
Reserves retained by:								
Company and subsidiaries	1,209,593	829	96,116	85,569	428	16,481	683,488	2,092,504
Associates	-	-	-	-	-	-	-	-
At 31 December 2004	1,209,593	829	96,116	85,569	428	16,481	683,488	2,092,504
Company and subsidiaries	1,209,593	829	96,116	85,569	-	13,302	1,827,668	3,233,077
Associates	-	-	-	-	428	-	-	428
At 31 December 2003	1,209,593	829	96,116	85,569	428	13,302	1,827,668	3,233,505

31. 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	Long term investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2003	1,209,593	829	194,524	-	-	-	1,199,076	2,604,022
Expenses for redemption of shares of a subsidiary	-	-	(348)	-	-	-	-	(348)
Dividends for 2003 (note 12)	-	-	-	-	-	-	(169,860)	(169,860)
Net profit for the year	-	-	-	-	-	-	199,823	199,823
At 31 December 2003 and 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)
Net profit for the year	-	-	-	-	-	-	227,218	227,218
At 31 December 2004	1,209,593	829	194,176	-	-	-	(100,812)	1,303,786

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.

Included in the contributed surplus and capital reserve of the Group as at 31 December 2004 were positive goodwill of HK\$98,406,000 (2003: HK\$98,406,000), which arose from acquisition of subsidiaries in prior years and negative goodwill of HK\$85,569,000 (2003: HK\$85,569,000), which arose from initial acquisition of Winton in prior years respectively. Negative goodwill which arose from completion of the privatisation of Winton in 2003 was accounted for in the balance sheet in accordance with SSAP 30. The increase in the capital reserve during the year ended 31 December 2003 arose from the reversal of net loss arising from the temporary dilution of Group's shareholding in Winton in 2002 following the completion of the privatisation of Winton in 2003.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Profit before tax	493,166	259,463
Depreciation	8,153	9,669
Loss on disposal of fixed assets	2	114
Gain on disposal of a subsidiary	(46)	–
Decrease in provisions for bad and doubtful debts	(46,839)	(23,368)
Dividends from a listed equity investment	(2,037)	(491)
Amortisation of negative goodwill	(18,433)	(18,433)
Amortisation of an intangible asset	26	25
Amortisation and write off of commission expenses	3,721	3,444
(Surplus)/deficit on revaluation of investment properties	(10,958)	690
Impairment loss on leasehold land and buildings	18,306	–
Decrease/(increase) in other debtors, deposits, prepayments and interest receivable from banks	61,253	(24,214)
(Decrease)/increase in creditors, accruals and interest payable	(9,798)	10,833
Decrease in provision for long service payments	(117)	(226)
Increase in amount due to the ultimate holding company	56	300
Decrease in inventories	2,167	5,858
Increase in deferred expenditure	(1,005)	(221)
Hong Kong profits tax paid	(24,044)	(14,400)
	473,573	209,043
Increase/(decrease) in customer deposits	411,037	(464,992)
(Increase)/decrease in loans and advances	(103,644)	363,589
Net cash flows from operating activities	780,966	107,640

(b) Disposal of a subsidiary

	2004 HK\$'000
Net assets disposed	–
Gain on disposal of a subsidiary (note 4)	46
	46
Satisfied by:	
Cash	46

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of a subsidiary (Continued)

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

	2004
	HK\$'000
.....	
Cash consideration	46
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	46

The results of the subsidiary disposed of in the year ended 31 December 2004 had no significant impact on the Group's consolidated operating income or profit after tax for that year.

33. 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 2004, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
.....		
Within one year	6,341	5,755
In the second to fifth years, inclusive	5,516	4,406
	11,857	10,161

(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 2004, the Group had total future minimum lease rental payables under non-cancellable operating leases falling due as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
.....		
Within one year	15,134	15,564
In the second to fifth years, inclusive	4,776	9,263
	19,910	24,827

34. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Commitments

	2004		Group		2003	
	Contractual amount HK\$'000	Risk weighted amount HK\$'000	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	330	330	28	28		
Undrawn loan facilities with an original maturity of under one year or which are unconditionally cancellable	1,483	–	6,444	–		
	1,813	330	6,472	28		

The Company had no material outstanding commitments at the balance sheet date (2003: Nil).

(b) Contingent liabilities

As at 31 December 2004 and 2003, the Company and the Group had no material contingent liabilities.

35. ASSETS PLEDGED AS SECURITY

At 31 December 2004, certain of the Group's banking facilities were secured by a placement with a bank amounting to HK\$5,000,000 (2003: HK\$5,000,000) (note 15).

At 31 December 2003, certain of the Group's banking facilities were secured by a first legal charge on certain leasehold land and buildings with an aggregate carrying amount of approximately HK\$44,292,000 (note 23) and on certain investment properties with an aggregate carrying amount of HK\$23,000,000 (note 19) situated in Hong Kong.

The Group's banking facilities had not been utilised during the year.

36. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group had the following major 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:

	Notes	Group	
		2004 HK\$'000	2003 HK\$'000
Commission income from the ultimate holding company for referrals of taxi financing loans	(a)	5,397	9,975
Interest income from the ultimate holding company	(b)	4,590	8,978
Rental income from the ultimate holding company	(c)	2,443	807
Management fees from the ultimate holding company	(d)	943	206
Interest paid and payable to a fellow subsidiary	(e)	2,005	–

Notes:

- (a) The commission income of HK\$5,397,000 (2003: HK\$9,975,000) received from referrals of floating rate taxi financing loans to Public Bank was determined based on market practice.
- (b) The interest income was received from fixed deposits placed with Public Bank at the then prevailing market rates.
- (c) The rental income was 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) Deposits were accepted from PB Trust (L) Ltd in the ordinary course of business during the year. As at 31 December 2004, fixed deposits placed amounted to HK\$700,161,000 (2003: Nil).

In addition, certain banking facilities of the Group are supported by letters of comfort issued by the ultimate holding company. None of these facilities were utilised during the year.

37. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 12 January 2005.

Advances to customers by industry sectors and basis of classification

	Group	
	Gross advances to customers	
	2004	2003
	HK\$'000	HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial:		
– Property investment	58,442	60,499
– Wholesale and retail trade	93	293
– Manufacturing	1,713	1,617
– Licensed public vehicles	446,482	607,454
– Others	–	2,925
Individuals:		
– Loans for the purchase of residential properties	27,448	30,627
– Others	2,635,596	2,348,640
Loans for use outside Hong Kong	79,952	81,406
	3,249,726	3,133,461

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.

Corporate governance

JCG Finance, a major subsidiary of the Company, is a deposit taking company incorporated in Hong Kong and is under the supervision of the HKMA. Its Board of Directors is fully committed to ensuring that 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 are applied in JCG Finance. Accordingly, JCG Finance has set up specialised committees with clear terms of reference and specific authorities delegated by its Board of Directors.

Executive Committee

The Executive Committee is responsible for the management of the business of JCG Finance in all aspects and implementation of strategic business plans and policies approved and formulated by the Board of Directors. The members of the Executive Committee comprise any director.

Management Committee

The Management Committee is responsible for the management of the daily operations of JCG Finance in all aspects of its business. The members of the Management Committee comprise General Manager, Deputy General Manager, Assistant General Managers, Head of Credit, Financial Controller, Senior Managers and Zone Managers.

Corporate governance (Continued)

Finance Committee

The Finance Committee assists the Board of Directors in the financial planning and budgeting process of the business of JCG Finance and the review of the statutory and half year audited accounts. The members of the Finance Committee comprise General Manager, Deputy General Manager, Assistant General Managers, Head of Credit and Financial Controller.

Credit Committee

The Credit Committee 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 of Directors for approval. The members of the Credit Committee comprise General Manager, Deputy General Manager, Assistant General Managers and Head of Credit.

Assets and Liabilities Committee

The Assets and Liabilities Committee 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 adopted by the Board of Directors. The members of the Assets and Liabilities Committee comprise General Manager, Deputy General Manager, Assistant General Managers, Head of Credit and Financial Controller.

Information Technology Committee

The Information Technology Committee is responsible for establishing objectives, policies and strategies for the computerisation of the Group, recommending to the Board of Directors on major acquisitions of computer hardware and software, and monitoring the progress of the implementation of all information technology related projects. The members of the Information Technology Committee comprise General Manager, Deputy General Manager, IT Controller and Financial Controller.

Human Resources 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 members of the Human Resources Committee comprise General Manager, Deputy General Manager, Assistant General Managers, Head of Credit and Personnel Manager.

Audit Committee

The Audit Committee was established by the Company to provide an independent review of the effectiveness of the financial reporting process and internal control system of the Group and to make recommendations to the Board of Directors. The members of the Audit Committee shall be appointed by the Board of Directors from amongst the Non-executive Directors of the Company and shall consist of not less than three members. The majority of the Audit Committee members shall comprise Independent Non-executive Directors. The present members comprise Dato' Yeoh Chin Kee (Chairman of the Audit Committee), Mr. Geh Cheng Hooi, Paul, Mr. Lee Chin Guan and Datuk Tay Ah Lek. Four meetings were held during the year to consider corporate governance, regulatory compliance, internal control and financial reporting matters covering the financial year ended 31 December 2004.

Qualitative information on the management of risks

The respective Boards of Directors of the subsidiaries are responsible for 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 bad debt provisions. 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 have on positions taken on market risk related financial instruments, including both on and off balance sheet instruments, which may result in profits or losses.

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.

Qualitative information on the management of risks (Continued)

Liquidity management

The main objectives of the Group's liquidity 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 grow loans and to meet contractual financial commitments.

Capital management

The Group encourages its subsidiaries to be independent and self-reliant on funding their business growth.

The Group relies principally on its internally generated capital and customer deposits. It adopts a prudent policy in capital management and manages its deposits in line with its loan growth. The funding position is monitored and reviewed regularly to ensure it is within internally established limits and at reasonable costs.

Capital adequacy and liquidity ratios of JCG Finance

	2004 Unadjusted ratio	2003 Unadjusted ratio
Capital adequacy ratio as at 31 December	38.69%	43.17%
Average liquidity ratio for the year	79.45%	96.80%

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 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.