

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
.....				
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

	Specific	Group	Total
	HK\$'000	General HK\$'000	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 HK\$'000	2003 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 Number of directors	2003 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	2003
	HK\$'000	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	2003
	Number of individuals	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	2003
	HK\$'000	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 HK\$'000	Leasehold improvements, furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000	Leasehold land and buildings 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	2003
	HK\$'000	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	2003
	HK\$'000	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	Translation	Long term investment	Retained profits	Total
	premium account	redemption reserve		reserve	reserve	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.