

Notes to Financial Statements

1. CORPORATE INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (c) HKAS 1 and HKAS 8 have not resulted in significant impact on accounting policies and on amounts disclosed in the financial statements except for reclassification of certain balance sheet items disclosed on the face of the balance sheets and notes to the financial statements.
- (d) HKAS 16 has not resulted in significant impact on accounting policies and on amounts disclosed in the financial statements.
- (e) The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings were previously carried at cost less accumulated depreciation and impairment loss. Following the adoption of HKAS 17, the Group’s leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group’s leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to land lease prepayments, while leasehold buildings continue to be classified as part of property, plant and equipment. Land lease prepayments under operating leases is initially stated at cost and subsequently amortised on the straight-line basis over the lease terms.

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

- (f) HKAS 24 affects the identification of related parties and the disclosure of related party transactions.
- (g) HKAS 30 has not resulted in significant impact on accounting policies and on amounts disclosed in the financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Group	HKAS 17	HKAS 40, HK(SIC)- Int 21	HKFRS 3, HKAS 36 & HKAS 38	HKFRS 2	HKAS 39	Total effect on adoption of HKFRSs & HKASs
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended						
31 December 2005						
Increase in interest income	-	-	-	-	39,709	39,709
Decrease in non-interest income	-	-	-	-	(39,709)	(39,709)
Increase in employee share option benefits	-	-	-	(45,765)	-	(45,765)
Increase in deferred tax liabilities	-	(2,200)	-	-	-	(2,200)
Decrease in impairment allowances for impaired financial assets	-	-	-	-	9,714	9,714
Decrease in depreciation	2,863	-	-	-	-	2,863
Increase in amortisation of land lease prepayments	(2,863)	-	-	-	-	(2,863)
Increase in fair value of investment properties	-	16,064	-	-	-	16,064
Decrease in amortisation of negative goodwill	-	-	(18,433)	-	-	(18,433)
Decrease in amortisation of intangible asset	-	-	26	-	-	26
Total increase/(decrease) in profit	-	13,864	(18,407)	(45,765)	9,714	(40,594)
Increase/(decrease) in basic earnings per share (HK\$)	-	0.019	(0.026)	(0.064)	0.014	(0.057)
Increase/(decrease) in diluted earnings per share (HK\$)	-	0.019	(0.026)	(0.064)	0.014	(0.057)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

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

Goodwill

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Subsidiaries

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

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Related parties

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

The building component of owner-occupied leasehold properties and other tangible property, plant and equipment, other than investment properties, are stated at cost, except for certain leasehold buildings which were transferred from investment properties, which are stated at deemed cost at the date of transfer, less accumulated depreciation and impairment. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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

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

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

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the profit and loss account in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Land lease prepayments

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

Investment properties

Investment properties are interests in land and buildings which are intended to be held on a long term basis for their investment potential, with rental income being negotiated at arm's length. Such properties are not depreciated and amortised and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Any changes in the value of investment properties are dealt with in the profit and loss account in the year in which they arise. For a transfer from investment properties to owner-occupied properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

(a) *Loans and receivables*

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

(b) *Available-for-sale financial assets*

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

(c) *Financial liabilities*

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

Intangible assets

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

Inventories

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

Cash and cash equivalents

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

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

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

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment allowances

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

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

Incurred loss events, not fully listed, include:

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

The impairment allowance is reviewed monthly. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the loans and advances and receivables does not exceed its amortised cost at the reversal date.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment allowances (Continued)

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

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

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

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

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

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

(c) *Impairment of non-financial assets*

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its net selling price.

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

A previously recognised impairment loss other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

Operating leases

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

Employee benefits

(a) *Retirement benefit schemes*

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

(b) *Share option scheme*

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

(b) *Share option scheme (Continued)*

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

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

(c) *Employment Ordinance long service payments*

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

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

(d) *Employee leave entitlements*

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

Revenue recognition

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

- (a) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;
- (b) commission, brokerage and fee income, when services are rendered;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

Dividends

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

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

4. SEGMENTAL INFORMATION

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

(a) By business segments

The Group's operating businesses are organised and managed separately, according to the nature of products and services provided, with each segment representing a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments:

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

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

4. SEGMENTAL INFORMATION (Continued)

(a) By business segments (Continued)

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

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

4. SEGMENTAL INFORMATION (Continued)

(a) By business segments (Continued)

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

(b) By geographical segments

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

5. OTHER OPERATING INCOME

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

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

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

6. OPERATING EXPENSES

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

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

7. LOANS AND ADVANCES AND RECEIVABLES

(a) Advances to customers and receivables

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

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

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

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

7. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(b) Gross amount of impaired loans and advances

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

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

7. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

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

(d) Repossessed assets

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

8. DIRECTORS' REMUNERATION

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

Group

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

8. DIRECTORS' REMUNERATION (Continued)

Group

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

Notes:

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

9. FIVE HIGHEST PAID INDIVIDUALS

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

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

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

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

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

10. TAX

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

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

10. TAX (Continued)

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

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

11. PROFIT OF THE COMPANY FOR THE YEAR

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

12. DIVIDENDS

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

13. EARNINGS PER SHARE

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

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

14. CASH AND SHORT TERM PLACEMENTS

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

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

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

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

16. AVAILABLE-FOR-SALE SECURITY INVESTMENT

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

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

17. INVESTMENT PROPERTIES

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

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

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

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

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

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

18. PROPERTY, PLANT AND EQUIPMENT

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

Notes to Financial Statements

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Group				Company
	Leasehold buildings HK\$'000	Leasehold improvements, fixtures and furniture, equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000	Leasehold buildings HK\$'000
	(Note)				
Accumulated depreciation:					
At 1 January 2004					
As previously reported	37,489	71,572	2,452	111,513	61
Reclassification	2,637	–	–	2,637	–
Prior year adjustment to retained profits upon adoption of HKAS 17	(5,770)	–	–	(5,770)	–
Reclassification to land lease prepayments upon adoption of HKAS 17	(29,485)	–	–	(29,485)	–
Reclassification to investment properties upon adoption of HKAS 40	(499)	–	–	(499)	(61)
As restated	4,372	71,572	2,452	78,396	–
Provided during the year	5,303	2,556	294	8,153	–
Transfer to investment properties	(202)	–	–	(202)	–
Disposals/write-off	–	(1,415)	–	(1,415)	–
Reclassification to land lease prepayments upon adoption of HKAS 17	(2,466)	–	–	(2,466)	–
At 31 December 2004 and 1 January 2005 (As restated)	7,007	72,713	2,746	82,466	–
At 31 December 2004 and 1 January 2005					
As previously reported	60,896	72,713	2,746	136,355	303
Reclassification	2,637	–	–	2,637	–
Prior year adjustment to retained profits upon adoption of HKAS 17	(5,770)	–	–	(5,770)	–
Reclassification to land lease prepayments upon adoption of HKAS 17	(50,257)	–	–	(50,257)	–
Reclassification to investment properties upon adoption of HKAS 40	(499)	–	–	(499)	(303)
As restated	7,007	72,713	2,746	82,466	–
Provided during the year	677	1,560	–	2,237	–
Transfer to investment properties	(1,111)	–	–	(1,111)	–
Disposals/write-off	–	(4,785)	–	(4,785)	–
At 31 December 2005	6,573	69,488	2,746	78,807	–
Net book value:					
At 31 December 2005	17,604	3,732	–	21,336	–
At 31 December 2004					
As previously reported	294,515	3,534	–	298,049	32,412
Net effect on adoption of HKASs 17 & 40	(274,929)	–	–	(274,929)	(32,412)
As restated	19,586	3,534	–	23,120	–

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

19. LAND LEASE PREPAYMENTS

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

19. LAND LEASE PREPAYMENTS (Continued)

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

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

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

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

20. INTERESTS IN SUBSIDIARIES

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

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

20. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the Company's subsidiaries are as follows:

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

Notes:

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

21. OTHER ASSETS

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

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

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

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

22. LOANS TO DIRECTORS AND OFFICERS

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

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

23. CUSTOMER DEPOSITS

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

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

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

24. OTHER LIABILITIES

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

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

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

25. PROVISION FOR LONG SERVICE PAYMENTS

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

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

Notes to Financial Statements

26. DEFERRED TAX

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

Group

Deferred tax assets:

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

Deferred tax liabilities:

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

The Group has tax losses arising in Hong Kong of HK\$11,374,000 (2004: HK\$10,633,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have incurred losses for some time.

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

27. SHARE CAPITAL

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

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

28. SHARE OPTION SCHEME

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

28. SHARE OPTION SCHEME (Continued)

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

(a) Summary of the Scheme

Purpose	:	To attract, retain and motivate talented eligible participants.
Participants	:	Eligible participants include: <ul style="list-style-type: none"> (i) any employee and director of the Company or any subsidiary or any associate or controlling shareholder; (ii) any discretionary trust whose discretionary objects include person(s) belonging to the aforesaid participants; (iii) a company beneficially owned by person(s) belonging to the aforesaid participants; and (iv) any business partner, agent, consultant, representative, customer or supplier of any member of the Group or controlling shareholder determined by the board of directors as having contributed or may contribute to the development and growth of the Group.
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of this annual report	:	49,269,841 ordinary shares which represent 6.8% of the issued share capital.
Maximum entitlement of each participant	:	Shall not exceed 1% of the ordinary shares of the Company in issue in the 12-month period up to and including the date of grant.
Period within which the ordinary shares must be taken up under an option	:	Exercisable within open exercise periods determined by the board of directors within 10 years from the commencement date on which the option is granted and accepted.
Amount payable on acceptance	:	HK\$1.00
Basis of determining the exercise price	:	Determined by the directors at their discretion based on the higher of: <ul style="list-style-type: none"> (i) the closing price of the ordinary shares on the Stock Exchange at the offer date; (ii) the average closing price of the ordinary shares on the Stock Exchange for 5 business days immediately preceding the offer date; and (iii) the nominal value of an ordinary share.

28. SHARE OPTION SCHEME (Continued)

(a) Summary of the Scheme (Continued)

Vesting condition : Nil, subject to open exercise periods to be determined by the board of directors or the Share Option Committee. The first open exercise period was from 28 July 2005 to 10 September 2005.

The remaining life of the Scheme : The Scheme remains in force until 27 February 2012.

(b) Movement of share options

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

Notes:

- (i) The share options are only exercisable at the exercise price of HK\$7.29 per share during certain periods as notified by the board or the Share Option Committee to each grantee which it may in its absolute discretion determine from 10 June 2005 to 9 June 2015.
- (ii) The share options were opened for exercise from 28 July 2005 to 10 September 2005 during the year.
- (iii) The closing price of the shares immediately before the date on which the options were granted was HK\$7.25 per share.
- (iv) The fair value of share options together with parameters used in share option model are disclosed in note 29(a) to the financial statements.
- (v) The remaining contractual life of the 43,878,000 outstanding options was 9.44 years as at 31 December 2005.
- (vi) The share option outstanding at end of 2005 can only be exercised in the future open exercise periods.

29. EMPLOYEE SHARE-BASED COMPENSATION RESERVE

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

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

Period of acceptance by directors and employees	:	18 May 2005 to 10 June 2005
Vesting period	:	from the date of grant until the commencement of the open exercise period
Number of share options granted	:	66,526,000
Number of share options granted but not accepted	:	550,000
Total option value	:	HK\$45,765,000
Variables		
Range of fair values of share during the period of acceptance	:	HK\$7.25 to HK\$8.00
Weighted average of fair value of share during the period of acceptance	:	HK\$7.49
Risk free interest rate	:	3.52% per annum
Maximum volatility (Note (i))	:	40.00%
Expected ordinary dividend yield	:	9.80%
Expiration of the option	:	9 June 2015
Weighted average expected life of the option	:	1.41 years

29. EMPLOYEE SHARE-BASED COMPENSATION RESERVE (Continued)

Notes:

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

Notes to Financial Statements

30. RESERVES

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

30. RESERVES (Continued)

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

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

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

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

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

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

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

32. OPERATING LEASE ARRANGEMENTS

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

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

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

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

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

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

33. COMMITMENTS AND CONTINGENT LIABILITIES

- (a) **Commitments**

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

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

33. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(b) Contingent liabilities

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

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

34. ASSETS PLEDGED AS SECURITY

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets and liabilities are mainly composed of:

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

Notes:

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

Credit risk

(i) Definition and sources

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

(ii) Risk management policies

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

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

(ii) *Risk management policies (Continued)*

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

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

(iii) *Maximum credit risk exposures*

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

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

(iv) *Significant concentrations of credit risk*

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

Interest rate risk

(i) *Definition and sources*

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

(ii) *Risk management policy*

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

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

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

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

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

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

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

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

Liquidity risk

(i) *Definition and sources*

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

(ii) *Risk management policy*

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

36. RELATED PARTY TRANSACTIONS

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

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

36. RELATED PARTY TRANSACTIONS (Continued)

Notes:

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

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

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

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

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

38. ACCOUNTING JUDGEMENT AND ESTIMATES

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

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

39. COMPARATIVE AMOUNTS

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

40. APPROVAL OF THE FINANCIAL STATEMENTS

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