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## THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt about this prospectus or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares (as defined herein) in JCG Holdings Limited (the “Company”), you should at once hand the Rights Issue Documents (as defined herein) to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, such documents should not be forwarded or transferred to the Excluded Shareholders (as defined herein). Please refer to the paragraph headed “Excluded Shareholders” in the “Letter from the Board” in this prospectus.

A copy of each of the Rights Issue Documents, having attached thereto the written consent referred to under the heading “Expert and Consent” in Appendix II to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance of Hong Kong. A copy of each of the Rights Issue Documents has also been filed with the Registrar of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda. The Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of any of these documents.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares (as defined herein) (in both their nil-paid and fully-paid forms) on the Stock Exchange (as defined herein), as well as compliance with the stock admission requirements of HKSCC (as defined herein), the Rights Shares (in their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS (as defined herein) with effect from the respective commencement dates of dealings in the Rights Shares (in their nil-paid and fully-paid forms) on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Stock Exchange and HKSCC take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

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JCG HOLDINGS LIMITED

日本信用保証集團\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 626)

### **RIGHTS ISSUE OF 364,632,206 RIGHTS SHARES OF HK\$0.10 EACH AT HK\$7.30 PER RIGHTS SHARE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO EXISTING SHARES HELD BY THE SHAREHOLDERS ON THE RECORD DATE**

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The latest time for acceptance and payment for the Rights Shares is 4:00 p.m. on Monday, 3 April 2006. The procedure for acceptance and payment or transfer of the Rights Shares is set out on pages 19 and 20 of this prospectus and in the PAL (as defined herein).

The Rights Issue (as defined herein) is underwritten by Public Bank (as defined herein). It should be noted that the Underwriting Agreement (as defined herein) contains provisions entitling Public Bank, by notice in writing, to terminate its obligations thereunder on the occurrence of certain events, including without limitation force majeure, or Public Bank becoming aware of or shall have reasonable cause to believe that any of the warranties given in the Underwriting Agreement being untrue, inaccurate, misleading or breached in any material respect at any time prior to 4:00 p.m. on the second Business Day (as defined herein) after the Acceptance Date (as defined herein). If Public Bank exercises such right, the obligations of Public Bank under the Underwriting Agreement shall cease and the Rights Issue will not proceed.

It should be noted that existing Shares have been dealt in on an ex-rights basis from Friday, 10 March 2006 and that the Rights Shares will be dealt with in their nil-paid form from Tuesday, 21 March 2006 to Wednesday, 29 March 2006 (both dates inclusive). Such dealings shall continue when the conditions to which the Rights Issue is subject remain unfulfilled. Any person dealing in existing Shares from now up to the date on which all such conditions are fulfilled or waived and any person dealing in the Rights Shares in their nil-paid form during the period from Tuesday, 21 March 2006 to Wednesday, 29 March 2006 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Any person contemplating selling or purchasing existing Shares on an ex-rights basis and/or the Rights Shares in their nil-paid form during such period who is in any doubt about his or her position is recommended to consult his or her professional advisers.

\* For identification purpose only

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## DEFINITIONS

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

“ACB”	Asia Commercial Bank Limited, a company incorporated in Hong Kong with limited liability and an authorised institution under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
“ACB Group”	ACB and its Subsidiaries
“Acceptance Date”	3 April 2006, or such other date as the Company and Public Bank may agree in writing, being the latest date upon which provisional allotment of Rights Shares may be validly accepted
“Acquisition”	the proposed acquisition by the Company of the entire issued share capital of ACB with details set out in the Joint Announcement
“AFH”	Asia Financial Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange
“Board”	the board of Directors
“Business Day”	any day (excluding Saturdays) on which banks are generally open for business in Hong Kong
“Capital Increase”	the increase in the authorised share capital of the Company as approved by the Shareholders at the Special General Meeting, details of which are set out in the circular to Shareholders of the Company dated 20 February 2006
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	JCG Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“EAF(s)”	form(s) of application for excess Rights Shares
“Excluded Shareholder(s)”	Overseas Shareholder(s) whose addresses on the register of members of the Company on the Record Date are in the United States and Malaysia whom the Directors consider, after making relevant enquiry, their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Group”	the Company and its Subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Joint Announcement”	the joint announcement of the Company and AFH dated 15 February 2006
“Last Trading Date”	14 February 2006, being the last trading day of the Shares prior to the announcement of the Rights Issue dated 17 February 2006
“Latest Practicable Date”	14 March 2006, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained in this prospectus
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) on the register of members of the Company is/are outside Hong Kong on the Record Date
“PAL(s)”	provisional allotment letter(s) in respect of the Rights Shares
“Posting Date”	17 March 2006, or such other date as the Company and Public Bank may agree in writing, being the date of despatch of the Rights Issue Documents

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## DEFINITIONS

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“Public Bank”	Public Bank Berhad, a company incorporated in Malaysia and the shares of which are listed on Bursa Malaysia Securities Berhad, which is the controlling Shareholder of the Company
“Public Bank Group”	Public Bank and its Subsidiaries
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	17 March 2006, or such other date as the Company and Public Bank may agree in writing, being the record date to determine entitlements to the Rights Issue
“Registrar”	Tengis Limited, the branch share registrar of the Company in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Rights Issue”	the issue by way of rights of 364,632,206 new Shares at a price of HK\$7.30 per Rights Share
“Rights Issue Documents”	this prospectus, PAL and EAF
“Rights Share(s)”	364,632,206 new Shares to be allotted and issued pursuant to the Rights Issue
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Option(s)”	options granted by the Company pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 28 February 2002
“Share Purchase Agreement”	the conditional share purchase agreement dated 14 February 2006 entered into between the Company and AFH in relation to the Acquisition

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## DEFINITIONS

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“Shareholder(s)”	holder(s) of the Shares
“Special General Meeting”	the special general meeting of the Company held on 8 March 2006 in relation to the Capital Increase
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$7.30 per Rights Share
“Subsidiary”	has the meaning ascribed to it by section 2(4) of the Companies Ordinance
“Underwriting Agreement”	the agreement dated 17 February 2006 between the Company and Public Bank relating to the underwriting and other arrangements in respect of the Rights Issue
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“RM”	Malaysian Ringgit, the lawful currency of Malaysia
“%”	per cent.

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## EXPECTED TIMETABLE

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2006

Book closure period (both dates inclusive) . . . . .	from Tuesday, 14 March to Friday, 17 March
Record Date . . . . .	Friday, 17 March
Despatch of the Rights Issue Documents . . . . .	Friday, 17 March
Register of members re-opens . . . . .	Monday, 20 March
First day of dealings in nil-paid Rights Shares . . . . .	Tuesday, 21 March
Latest time for splitting nil-paid Rights Shares . . . . .	4:00 p.m. on Friday, 24 March
Latest time of dealings in nil-paid Rights Shares . . . . .	4:00 p.m. on Wednesday, 29 March
Latest time for acceptance of, and payment for, Rights Shares and application for excess Rights Shares . . . . .	4:00 p.m. on Monday, 3 April
Latest time for termination of the Underwriting Agreement . . . . .	4:00 p.m. on Thursday, 6 April
Announcement of results of Rights Issue to appear in newspapers on or before . . . . .	Tuesday, 11 April
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares to be despatched on or before . . . . .	Tuesday, 11 April
Certificates for fully-paid Rights Shares expected to be despatched on or before . . . . .	Tuesday, 11 April
Dealings in fully-paid Rights Shares on the Stock Exchange to commence on . . . . .	Thursday, 13 April

*Notes:*

1. All times in this prospectus refer to Hong Kong time. Dates and times specified in this prospectus are indicative only and are subject to change in accordance with the agreement between the Company and Public Bank. The Company will notify the Shareholders of any changes to the expected timetable above as and when appropriate.

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## EXPECTED TIMETABLE

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2. Effect of bad weather on the latest time for acceptance of and payment for Rights Shares

The latest time for acceptance of and payment for Rights Shares will not take place if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning
  - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Acceptance Date. Instead the latest time of acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day;
  - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. Instead the latest time of acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of any payment for the Rights Shares does not take place on the Acceptance Date, the dates mentioned in the expected timetable above may be affected. A press announcement will be made by the Company in such event.

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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It should be noted that the Underwriting Agreement contains provisions entitling Public Bank, by notice in writing, to terminate its obligations thereunder on the occurrence of certain events. If at any time on or before 4:00 p.m. on the second Business Day after the Acceptance Date one or more of the following events or matters (whether or not forming part of a series of events) shall occur, arise, or exist:

- (a) Public Bank shall become aware of the fact that, or shall have reasonable cause to believe that, any of the warranties in the Underwriting Agreement was (when originally given or when repeated in accordance with the provisions under the Underwriting Agreement) untrue, inaccurate, misleading or breached, and in each case where it is (in the reasonable opinion of Public Bank) material in the context of the Rights Issue; or
- (b)
  - (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
  - (ii) any change in local, national or international financial, political, industrial or economic conditions;
  - (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;
  - (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
  - (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;
  - (vi) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of ten (10) Business Days;
  - (vii) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere which will or may materially and adversely affect the Group or a material proportion of the Shareholders in their capacity as such,

which event or events is or are in the reasonable opinion of Public Bank:

- (i) likely to have a material adverse effect on the business or financial or trading position or prospects of the Company or the Group; or
- (ii) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up; or

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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(iii) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then in such case Public Bank may by notice in writing given to the Company on or before 4:00 p.m. on the second Business Day after the Acceptance Date rescind the Underwriting Agreement and thereupon all obligations of Public Bank thereunder will cease and determine and no party will have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement and the Rights Issue will not proceed.

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## SUMMARY OF THE RIGHTS ISSUE

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*The following information is derived from, and should be read in conjunction with and subject to the full text of, this prospectus:*

<b>Number of Rights Shares to be issued</b>	364,632,206 Rights Shares
<b>Amount to be raised</b>	Approximately HK\$2.66 billion before expenses
<b>Subscription Price and Acceptance Date</b>	HK\$7.30 per Rights Share payable in full on acceptance at or prior to 4:00 p.m. on Monday, 3 April 2006
<b>Basis of the Rights Issue</b>	One Rights Share for every two existing Shares held on the Record Date
<b>Issued share capital</b>	729,264,412 Shares as at the Record Date
<b>Authorised share capital</b>	2,000,000,000 Shares as at the Record Date
<b>Status of the Rights Shares</b>	The Rights Shares, when issued and fully paid, will rank pari passu in all respects with the then existing Shares in issue. Holders of Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the respective dates of issue and allotment of the Rights Shares
<b>Provisional allotment</b>	Under the Rights Issue, 364,632,206 nil-paid Rights Shares based on a total number of 729,264,412 issued Shares as at the Record Date would be provisionally allotted, representing 50 per cent. of the existing issued share capital of the Company and approximately 33 per cent. of the issued share capital of the Company as enlarged by the issue of 364,632,206 Rights Shares
<b>Right of excess applications</b>	Qualifying Shareholders will have the right to apply for excess Rights Shares
<b>Excluded Shareholders</b>	Rights Shares which represent entitlements of Excluded Shareholders will be sold for their benefit in the market, in nil-paid form, as soon as reasonably practicable after dealings in the nil-paid Rights Shares commence, if a premium, net of expenses, can reasonably be obtained, except that any amount of HK\$100 or less will be retained by the Company for its own use and benefit. Any such entitlements not sold in the market will be made available for application by Qualifying Shareholders under the excess applications
<b>Subscription by Public Bank</b>	Public Bank has irrevocably undertaken to take up in full its entitlement under the Rights Issue amounting to 233,384,055 Rights Shares

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## LETTER FROM THE BOARD

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# JCG HOLDINGS LIMITED 日本信用保証集團\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 626)

*Non-executive Directors:*

Tan Sri Dato' Sri

Dr. Teh Hong Piow (*Chairman*)

Dato' Sri Tay Ah Lek

Dato' Chang Kat Kiam

Wong Kong Ming

*Executive Directors:*

Tan Yoke Kong

Lee Huat Oon

*Independent Non-executive Directors:*

Dato' Yeoh Chin Kee

Geh Cheng Hooi, Paul

Lee Chin Guan

*Registered Office:*

Clarendon House

Church Street

Hamilton HM11

Bermuda

*Head Office and*

*Principal Place of Business:*

1105-7 Wing On House

71 Des Voeux Road Central

Hong Kong

17 March 2006

*To the Qualifying Shareholders and,  
for information only, the Excluded Shareholders*

Dear Sir or Madam,

**RIGHTS ISSUE OF 364,632,206 RIGHTS SHARES OF HK\$0.10 EACH  
AT HK\$7.30 PER RIGHTS SHARE  
ON THE BASIS OF ONE RIGHTS SHARE  
FOR EVERY TWO EXISTING SHARES  
HELD BY THE SHAREHOLDERS ON THE RECORD DATE**

### INTRODUCTION

It was announced on 17 February 2006 that, subject to the satisfaction of the conditions of the Rights Issue mentioned below, the Company proposed to raise approximately HK\$2.66 billion, before expenses, by way of a rights issue of 364,632,206 new Shares at a price of HK\$7.30 per Rights Share held on the Record Date. Qualifying Shareholders will be provisionally allotted with Rights Shares on the basis of one Rights Share in nil-paid form for every two existing Shares held on the Record Date.

\* For identification purpose only

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## LETTER FROM THE BOARD

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The net proceeds from the Rights Issue are intended to repay part of a short-term bridging loan facility of HK\$4,500,000,000 which is used in financing the cost of the Acquisition if it proceeds, but the Rights Issue is not dependent on the Acquisition.

This prospectus sets out the details of the Rights Issue, including information on dealings in and transfers and acceptances of Rights Shares and certain financial and other information in respect of the Group.

### TERMS OF THE RIGHTS ISSUE

No provisional allotment of Rights Shares has been made to the Excluded Shareholders. The Rights Shares representing entitlements of Excluded Shareholders will be sold as set out in the section headed “Excluded Shareholders” below.

#### Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must at the close of business on the Record Date:

1. be registered as a member of the Company; and
2. not be an Excluded Shareholder.

#### Fractions of Rights Shares

The Company will not provisionally allot and issue and will not accept application for any fraction of Rights Shares. All fractions of Rights Shares will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold in the market for the benefit of the Company, if a premium net of expenses can reasonably be obtained.

#### Applications for excess Rights Shares

Qualifying Shareholders shall be entitled to apply for excess Rights Shares comprising unsold entitlements of the Excluded Shareholders, any unsold Rights Shares created by adding together fractions of Rights Shares, and any Rights Shares provisionally allotted but not accepted by Qualifying Shareholders.

Application for excess Rights Shares may be made by the Qualifying Shareholders by completing the EAFs and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares, at their discretion, on a fair and reasonable basis so far as practicable and will give preference to topping-up odd lots to board lots.

The Shareholders with the Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually.

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## LETTER FROM THE BOARD

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**Save in the case of Excluded Shareholders, this prospectus is accompanied with a PAL and an EAF. The provisions of the PAL and EAF form part of the terms on which the Rights Issue is made. The latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares is 4:00 p.m. on Monday, 3 April 2006.**

### **Certificates for Rights Shares**

Subject to the fulfillment or waiver by Public Bank of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be despatched by ordinary post by Tuesday, 11 April 2006 to those Qualifying Shareholders who have accepted and (where applicable) applied for, and paid for the Rights Shares, at their own risk.

### **Subscription Price for the Rights Shares**

The Subscription Price of HK\$7.30 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or applies for excess Rights Shares or when a renounee of any provisional allotment or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

1. a discount of approximately 7.59 per cent. to the closing price of HK\$7.90 per Share as quoted on the Stock Exchange on the Last Trading Day;
2. a discount of approximately 7.71 per cent. to the average closing price of HK\$7.91 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
3. a discount of approximately 8.41 per cent. to the average closing price of HK\$7.97 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
4. a discount of approximately 11.62 per cent. to the average closing price of HK\$8.26 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;
5. a discount of approximately 5.19 per cent. to the theoretical ex-right price of HK\$7.70 based on the closing price of HK\$7.90 per Share as quoted on the Stock Exchange on the Last Trading Day;
6. a premium of approximately 137.01 per cent. over the audited consolidated net tangible assets value\* (excluding negative goodwill and capital reserve (negative goodwill in nature) of HK\$55.3 million and HK\$85.6 million respectively included in equity) per Share of approximately HK\$3.08 as at 31 December 2005;
7. a premium of approximately 122.56 per cent. over the audited consolidated net tangible assets value\* per Share of approximately HK\$3.28 as at 31 December 2005;
8. a premium of approximately 14.96 per cent. over the closing price of HK\$6.35 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

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## LETTER FROM THE BOARD

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9. a premium of approximately 13.35 per cent. over the average closing price of HK\$6.44 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Latest Practicable Date.

The Subscription Price was arrived at with reference to the market price of the Shares under the prevailing market conditions and was agreed on an arm's length basis between the Company and Public Bank for the underwriting arrangement. The Directors consider the terms of the Rights Issue and the rate of discount to the closing price on the Last Trading Day to be fair and reasonable and in the best interests of the Group and the Shareholders as a whole.

\* *Based on the net assets deducting intangible assets and deferred tax assets.*

### UNDERWRITING AGREEMENT

The Rights Issue, other than the Rights Shares undertaken to be taken up by Public Bank, amounting to 131,248,151 Rights Shares, will be fully underwritten by Public Bank in accordance with the Underwriting Agreement.

#### Undertaking from Public Bank

Public Bank, who is as at the Latest Practicable Date beneficially interested in an aggregate of 466,768,110 Shares representing approximately 64 per cent. of the issued share capital of the Company, has irrevocably undertaken that, subject to the conditions of the Rights Issue being fulfilled or waived, all Shares beneficially owned by it will remain registered in its name or in the name of its nominee(s) from the date of the undertaking to the Record Date and that it will accept or procure acceptance of all the 233,384,055 Rights Shares to be provisionally allotted to it or its nominee(s) as the holder of such Shares pursuant to the Rights Issue.

#### Other terms of the Underwriting Agreement

Date:	17 February 2006
Underwriter:	Public Bank, the controlling Shareholder
Number of Rights Shares underwritten:	131,248,151 Rights Shares
Commission:	Waived by Public Bank

Public Bank is a licensed bank in Malaysia whose ordinary course of business does not include underwriting of securities.

The entering into of the Underwriting Agreement by the Company with Public Bank constitutes a connected transaction of the Company under the Listing Rules but is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.31(3)(c) of the Listing Rules.

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## LETTER FROM THE BOARD

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### TERMINATION OF THE UNDERWRITING AGREEMENT

It should be noted that the Underwriting Agreement contains provisions entitling Public Bank, by notice in writing, to terminate its obligations thereunder on the occurrence of certain events. If at any time on or before 4:00 p.m. on the second Business Day after the Acceptance Date one or more of the following events or matters (whether or not forming part of a series of events) shall occur, arise, or exist:

- (a) Public Bank shall become aware of the fact that, or shall have reasonable cause to believe that, any of the warranties in the Underwriting Agreement was (when originally given or when repeated in accordance with the provisions under the Underwriting Agreement) untrue, inaccurate, misleading or breached, and in each case where it is (in the reasonable opinion of Public Bank) material in the context of the Rights Issue; or
- (b)
  - (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
  - (ii) any change in local, national or international financial, political, industrial or economic conditions;
  - (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;
  - (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
  - (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;
  - (vi) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of ten (10) Business Days;
  - (vii) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere which will or may materially and adversely affect the Group or a material proportion of the Shareholders in their capacity as such,

which event or events is or are in the reasonable opinion of Public Bank:

- (i) likely to have a material adverse effect on the business or financial or trading position or prospects of the Company or the Group; or
- (ii) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up; or

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## LETTER FROM THE BOARD

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- (iii) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then in such case Public Bank may by notice in writing given to the Company on or before 4:00 p.m. on the second Business Day after the Acceptance Date rescind the Underwriting Agreement and thereupon all obligations of Public Bank thereunder will cease and determine and no party will have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement and the Rights Issue will not proceed.

### CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon, among other things, each of the following:

- (i) completion of Capital Increase;
- (ii) the filing and registration of the Rights Issue Documents by the Registrar of Companies in Hong Kong in compliance with the Companies Ordinance no later than the Posting Date; and the filing of the Rights Issue Documents with the Registrar of Companies in Bermuda no later than the Posting Date;
- (iii) the posting of the Rights Issue Documents to the Qualifying Shareholders on the Posting Date;
- (iv) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) on or prior to the Posting Date and such listing and permission not having withdrawn or revoked before 4:00 p.m. on the Acceptance Date; and
- (v) the Underwriting Agreement not being terminated by Public Bank in accordance with the terms thereof.

As at the date of this prospectus, the conditions set out in (i) to (iii) have been fulfilled.

**If the remaining condition of the Rights Shares set out in (iv) and (v) above is not fulfilled by or at the time and/or date specified therefor (or if no time or date is specified, 4:00 p.m. on the second Business Day following the Acceptance Date), or shall become incapable of being fulfilled on or before such time or date without being so waived by Public Bank, the Rights Issue will not proceed.**

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## LETTER FROM THE BOARD

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### CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the changes in the shareholding structure of the Company arising from the Rights Issue (given that no outstanding Share Options have been exercised from the date of the announcement of the Rights Issue being 17 February 2006 up to the Record Date):

	As at		Immediately after		Immediately after	
	the Record Date		completion of the		completion of the	
	<i>No. of Shares</i>	%	Rights Issue on the		Rights Issue on the	
	<i>No. of Shares</i>	%	assumption as set out		assumption as set out	
			in Note 1		in Note 2	
	<i>No. of Shares</i>	%	<i>No. of Shares</i>	%	<i>No. of Shares</i>	%
Public Bank	466,768,110	64	700,152,165	64	831,400,316	76
Other Shareholders	262,496,302	36	393,744,453	36	262,496,302	24
<b>Total</b>	<b><u>729,264,412</u></b>	<b><u>100</u></b>	<b><u>1,093,896,618</u></b>	<b><u>100</u></b>	<b><u>1,093,896,618</u></b>	<b><u>100</u></b>

*Notes:*

1. Assuming all Shareholders take up their respective provisional allotment of the Rights Shares in full.
2. Assuming (i) all Shareholders (save for Public Bank) do not take up any provisional allotment of the Rights Shares; and (ii) the provisional allotments of the Rights Shares of all Shareholders (save for Public Bank) are taken up by Public Bank pursuant to the Underwriting Agreement.

### EXCLUDED SHAREHOLDERS

Excluded Shareholders resident in the United States have been sent a copy of this prospectus for their information only.

No action (including registration under any applicable legislation of any territory or jurisdiction other than Hong Kong and Bermuda) has been taken to permit the offering of the Rights Shares or the distribution of each of the Rights Issue Documents, in any territory or jurisdiction outside Hong Kong and Bermuda. The Excluded Shareholders are those Overseas Shareholders whom the Directors consider it necessary or expedient not to offer the Rights Shares to them on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place. As at the Latest Practicable Date, the Company has certain Overseas Shareholders whose addresses as shown on the register of members are located in the United Kingdom, the United States, Malaysia, the Republic of Ireland and the Macau Special Administrative Region of the People's Republic of China. The Directors, having made enquiry pursuant to Rule 13.36(2)(a) of the Listing Rules regarding the legal restrictions (if any) under the laws of these relevant jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges for the Company's offering the Rights Shares to such Overseas Shareholders, are of the view that the extension of the Rights Issue to those Overseas Shareholders resident in Malaysia and the

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## LETTER FROM THE BOARD

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United States, being the Excluded Shareholders, would or might, in the absence of compliance with relevant registration or other formalities in these jurisdictions, be unlawful or impracticable, and compliance with the registration and other formalities in these jurisdictions could be both costly and time-consuming, and therefore inexpedient to do so. Accordingly, in view of the likely costs and time involved if overseas compliance were to be observed, the costs of overseas compliance would outweigh the benefits which the Company and its Shareholders as a whole would otherwise receive by including the Excluded Shareholders in the Rights Issue. Therefore, no provisional allotment of Rights Shares will be made to the Excluded Shareholders and no PAL or EAF will be sent to the Excluded Shareholders. The Company, having considered the legal restrictions and requirements in Malaysia, will not send the prospectus, PAL and EAF to the Shareholders resident in Malaysia. The Company will only send this prospectus to the Excluded Shareholders resident in the United States for their information only. The offers of Rights Shares pursuant to the Rights Issue are being made only to Qualifying Shareholders.

Receipt of a copy of this prospectus does not and will not constitute an offer to the Excluded Shareholders or any other persons in any territories in which it would be unlawful to make an offer, and in such circumstances the prospectus is or will be sent for information only. It is the responsibility of any person (including, without limitation, nominees, agents and trustees) receiving a copy of each of the Rights Issue Documents outside Hong Kong and wishing to take up Rights Shares under the Rights Issue to satisfy himself as to the full observance of the laws of the relevant territory including the obtaining of any governmental or other consents which may be required for observing any other formalities needed to be observed in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. **Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that these laws and requirements have been complied with. If you are in any doubt as to your position, you should consult your professional advisers.**

Persons (including, without limitation, nominees, agents and trustees) receiving the Rights Issue Documents should not distribute or send it in or into any territory or jurisdiction where to do so would or might contravene local securities laws or regulations. If a PAL and/or an EAF is received by any person in any such territory or jurisdiction or by the agent or nominee of such a person, he must not seek to take up Rights Shares, or renounce such PAL and/or an EAF except with the express agreement of the Company. Any person who does forward a PAL and/or an EAF into any such territory or jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention to the recipient to the contents of this section.

The Company reserves the right to treat as invalid any purported acceptance of the allotment of Rights Shares comprised in a PAL and/or an EAF or to refuse to register any purported renunciation of the rights represented thereby if it appears to the Company or its agents that acceptance of such allotment or renunciation or the registration of such renunciation may involve a breach of the laws or regulations of any territory or jurisdiction or if in respect thereof the Shareholder or its agent has not given the declaration set out in the PAL and/or an EAF in respect of such matters.

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## LETTER FROM THE BOARD

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Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium net of expenses can reasonably be obtained. The proceeds of such sale, less expenses, of HK\$100 or more will be paid pro-rata to such Shareholders in Hong Kong dollars as soon as practicable. Individual amounts of less than HK\$100 will not be paid and will be retained by the Company for its use and benefit.

### **ADJUSTMENTS TO EXERCISE PRICE AND NUMBER OF THE SHARE OPTIONS**

As at the Record Date, none of the 43,878,000 outstanding Share Options held by the Directors and employees of the Group have been exercised. Save as disclosed above, there are no outstanding options, warrants, convertible notes or other rights to subscribe for Shares of the Company. Pursuant to the terms of the Share Option Scheme, adjustments are required to be made to the exercise price and the number of Shares falling to be issued upon exercise of the outstanding Share Options as a result of the issue of the Rights Shares. The Company will make appropriate disclosure by way of announcement in relation to the details of the adjustments.

### **REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS**

The Company is an investment holding company. Its Subsidiaries are principally engaged in the business of 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. The estimated net proceeds from the Rights Issue will amount to approximately HK\$2,660.3 million. Reference is made to the Joint Announcement in relation to the Acquisition. The aggregate consideration for the Acquisition amounts to HK\$4,499,550,000 which is payable by the Company to AFH in cash on completion of the Acquisition. The Company intends to finance the Acquisition by way of bank borrowings and/or equity financing. The Company intends to use the net proceeds from the Rights Issue to repay part of a short-term bridging loan facility of HK\$4,500,000,000 used in financing the cost of the Acquisition if it proceeds, but the Rights Issue is not dependent on the Acquisition. If the Acquisition does not proceed for any reason, the Rights Issue will still proceed subject to the satisfaction of the conditions disclosed in this prospectus, and the proceeds will be used for general working capital purposes of the Group and the Board will monitor and review business opportunities suitable to the Company. The Company has not engaged in any equity fund raising exercise during the 12 months immediately preceding the date of this prospectus.

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## LETTER FROM THE BOARD

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### PROCEDURE FOR ACCEPTANCE AND PAYMENT OR TRANSFER

For each Qualifying Shareholder, a PAL is enclosed with this prospectus which entitles the Qualifying Shareholder to subscribe for the number of Rights Shares provisionally allotted to him/her/it as specified thereon.

**If any Qualifying Shareholder wishes to exercise his/her/its right to subscribe for all the Rights Shares provisionally allotted to him/her/it as specified in the PAL, the Qualifying Shareholder must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Monday, 3 April 2006.** All remittances must be made in Hong Kong dollars by means of cheques or banker's cashier orders drawn on a bank account in Hong Kong crossed "Account Payee Only" and made payable to "JCG Holdings Limited – Rights Issue Account". All enquiries in connection with the PALs should be addressed to the Registrar at the above address.

**Unless the PAL, duly completed, together with the appropriate remittance, has been lodged with the Registrar by not later than 4:00 p.m. on Monday, 3 April 2006 whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights to subscribe for Rights Shares thereunder will be deemed to have been declined and will be cancelled.**

If a Qualifying Shareholder wishes to accept only part of his/her/its rights to subscribe for the Rights Shares provisionally allotted, or if the Qualifying Shareholder wishes to transfer all or part of such rights to more than one person, the entire PAL must be surrendered by not later than 4:00 p.m. on Friday, 24 March 2006 with the Registrar, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for cancellation and new PALs will be issued in the denominations required.

All cheques and banker's cashier orders will be presented for payment immediately upon receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of a PAL with a cheque and/or the banker's cashier order will constitute a warranty that the cheque and/or the banker's cashier order will be honoured on first presentation. Without prejudice to any other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the accompanying cheque or banker's cashier order is dishonoured on first presentation, and, in such event, the relevant provisional allotment and all rights given pursuant to which will be deemed to have been declined and will be cancelled at the discretion of the Company. The amount tendered for subscription will be refunded in full without interest and will be sent by ordinary post at the risk of the relevant applicants, or other persons entitled thereto, to their registered addresses on or before Tuesday, 11 April 2006.

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## LETTER FROM THE BOARD

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If Public Bank exercises its right to terminate its obligations under the Underwriting Agreement at any time prior to the second Business Day following the Acceptance Date (which such Acceptance Date is expected to be Monday, 3 April 2006) and/or if any of the conditions of the Rights Issue are not fulfilled or waived, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form shall have been validly transferred without interest, by means of cheques crossed “**Account Payee Only**” to be despatched by ordinary post to their registered addresses or, in the case of joint applicants, to the first-named person that appears on the register of members or the transfer form at their own risk on or before Tuesday, 11 April 2006.

### APPLICATIONS FOR EXCESS RIGHTS SHARES

For each Qualifying Shareholder, an EAF is enclosed with this prospectus which entitles the Qualifying Shareholder to apply for excess Rights Shares.

**If any Qualifying Shareholder wishes to apply for any Rights Share in addition to his/her/its provisional allotment under the Rights Issue, he/she/it must complete and sign the EAF in accordance with the instructions printed thereon and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Monday, 3 April 2006.** All remittances must be made in Hong Kong dollars and cheques or banker’s cashier orders must be drawn on a bank account in Hong Kong, crossed “**Account Payee Only**” and made payable to “**JCG Holdings Limited – Excess Application Account**”. All enquiries in connection with the EAFs should be addressed to the Registrar at the above address. The Qualifying Shareholder will be notified of any allotment of excess Rights Shares made to him/her/it, which allocation will be made at the discretion of the Directors, on a fair and reasonable basis as far as practicable but the Directors will give preference to topping-up odd lots to board lots.

All cheques and banker’s cashier orders will be presented for payment immediately upon receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of an EAF with a cheque and/or a banker’s cashier order will constitute a warranty that the cheque and/or the banker’s cashier order will be honoured on first presentation. Without prejudice to any other rights of the Company in respect thereof, the Company preserves the right to reject any EAF in respect of which the accompanying cheque or banker’s cashier order is dishonoured on first presentation.

If no excess Rights Shares are allotted to the relevant applicants, a refund cheque for the full amount tendered on application, without interest, will be posted to the relevant applicants to the addresses specified in the relevant EAFs by ordinary post at their own risk. If the number of excess Rights Shares allotted to the relevant applicants is less than that applied for, a cheque for the surplus application monies, without interest, will be posted to the relevant applicants by ordinary post at their own risk. Such posting is expected to take place on or before Tuesday, 11 April 2006.

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## LETTER FROM THE BOARD

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EAFs have only been issued to Qualifying Shareholders and are for use only by the persons to whom they are addressed and are not transferable. All documents, including cheques for amounts due, will be sent by ordinary post at the risk of the relevant applicants or other persons entitled thereto, to their registered addresses.

If Public Bank exercises its right to terminate its obligations under the Underwriting Agreement at any time prior to 4:00 p.m. on the second Business Day following the Acceptance Date (which such Acceptance Date is expected to be Monday, 3 April 2006) and/or if any of the conditions of the Rights Issue are not fulfilled or waived, the monies received in respect of the Rights Shares provisionally allotted and application for excess Rights Shares will be returned to the Qualifying Shareholders or, in the case of joint applicants, to the first-named person that appears on the register of members or the transfer form without interest, by means of cheques crossed “**Account Payee Only**” to be despatched by ordinary post at their own risk on or before Tuesday, 11 April 2006.

### LISTING AND DEALINGS

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in, the Rights Shares, in both nil-paid and fully-paid forms.

No part of the equity of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) and subject to compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The board lot for trading in the Rights Shares (in both their nil-paid and fully-paid forms) will be 2,000 Rights Shares.

Dealings in the Rights Shares (in both their nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

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## LETTER FROM THE BOARD

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### WARNING OF THE RISKS OF DEALING IN SHARES AND NIL-PAID RIGHTS SHARES

The existing Shares have been dealt in on an ex-rights basis as from Friday, 10 March 2006 and that the Rights Shares will be dealt with in their nil-paid form from Tuesday, 21 March 2006 to Wednesday, 29 March 2006 (both dates inclusive). Such dealings will take place during the period when the conditions to which the Rights Issue is subject remain unfulfilled. Any person dealing in the existing Shares from now up to the date on which all conditions to which the Rights Issue is subject are fulfilled or waived, and any person dealing in the Rights Shares in their nil-paid form from Tuesday, 21 March 2006 to Wednesday, 29 March 2006 (both dates inclusive), will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Any person dealing in the existing Shares and/or the Rights Shares in their nil-paid form during such period who is in any doubt about his or her position is recommended to consult his or her professional advisers.

### TAXATION

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding or disposal of, or dealing in the Rights Shares and as regards the Excluded Shareholders, their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liability of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices hereto.

Yours faithfully,  
For and on behalf of  
**JCG Holdings Limited**  
**Tan Yoke Kong**  
*Director*

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited consolidated profit and loss account and consolidated balance sheet of the Group extracted from the relevant annual reports of the Group.

#### Three Years' Financial Summary Consolidated Profit and Loss Account

*For the years ended 31 December*

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### Consolidated Balance Sheet

As at 31 December

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

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below is the audited consolidated financial statements of the Group for the year ended 31 December 2005 as extracted from the Company's 2005 annual report.

#### Consolidated Profit and Loss Account

*For the year ended 31 December 2005*

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### Balance Sheets

31 December 2005

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### Consolidated Summary Statement of Changes in Equity

For the year ended 31 December 2005

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

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### Consolidated Cash Flow Statement

For the year ended 31 December 2005

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

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# APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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## Notes to Financial Statements

### 1. CORPORATE INFORMATION

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

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

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

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

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

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

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

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

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

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

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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

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

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

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

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

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

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

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

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

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

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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- (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.

- (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.

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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

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

# APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

Group	Previous accounting policies HK\$'000	HKAS 17 HK\$'000	HKFRS 3, HKAS 36 & HKAS 38 HKFRS 2				HKAS 39 HK\$'000	Total effect on adoption of HKFRSs & HKASs HK\$'000	Adoption of HKFRSs & HKASs HK\$'000
			HKAS 40, HK(SIC)- Int 21 HK\$'000	HKFRS 2 HK\$'000	HKAS 39 HK\$'000	HKAS 39 HK\$'000			
<b>At 31 December 2005</b>									
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
<b>Total equity:</b>									
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 reevaluation reserve	25,618	-	-	-	-	-	-	-	25,618
Employee share-based compensation reserve	-	-	-	-	45,765	-	-	45,765	45,765
Regulatory reserve	-	-	-	-	-	85,400	-	85,400	85,400
Retained profits	623,431	3,257	13,864	122,887	(45,765)	(15,073)	-	79,170	702,601
	<u>2,269,096</u>	<u>3,257</u>	<u>13,864</u>	<u>36,890</u>	<u>-</u>	<u>70,327</u>	<u>-</u>	<u>124,338</u>	<u>2,393,434</u>

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
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)
<b>Total equity:</b>					
Share capital	72,926	-	-	-	72,926
Share premium account	1,364,179	-	-	-	1,364,179
Capital redemption reserve	829	-	-	-	829
Contributed surplus	194,176	-	-	-	194,176
Employee share-based compensation reserve	-	-	45,765	45,765	45,765
Retained profits	(56,221)	10,388	(4,231)	6,157	(50,064)
	<u>1,575,889</u>	<u>10,388</u>	<u>41,534</u>	<u>51,922</u>	<u>1,627,811</u>

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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

Group	HKAS 17 HK\$'000	HKAS 40, HK(SIC)- Int 21 HK\$'000	HKFRS 3, HKAS 36 & HKAS 38 HK\$'000	HKFRS 2 HK\$'000	HKAS 39 HK\$'000	Total effect on adoption of HKFRSs & HKASs HK\$'000
<b>For the year ended 31 December 2005</b>						
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	<u>-</u>	<u>13,864</u>	<u>(18,407)</u>	<u>(45,765)</u>	<u>9,714</u>	<u>(40,594)</u>
Increase/(decrease) in basic earnings per share (HK\$)	<u>-</u>	<u>0.019</u>	<u>(0.026)</u>	<u>(0.064)</u>	<u>0.014</u>	<u>(0.057)</u>
Increase/(decrease) in diluted earnings per share (HK\$)	<u>-</u>	<u>0.019</u>	<u>(0.026)</u>	<u>(0.064)</u>	<u>0.014</u>	<u>(0.057)</u>

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

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

#### Basis of consolidation

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

**Goodwill**

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

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

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

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

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

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

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

**Subsidiaries**

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

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

**Related parties**

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

- (a) directly, or indirectly through one or more intermediaries, the party:
  - (i) controls, is controlled by, or is under common control with, the Group;
  - (ii) has an interest in the company that gives it significant influence over the Group; or
  - (iii) has joint control over the Group;
- (b) the party is a member of key management personnel of the Company or its parent company;

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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- (c) the party is a close member of the family of any individual referred to in (a) and (b);
- (d) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, the individual referred to in (b) or (c);
- (e) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

### Property, plant and equipment and depreciation

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

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

Leasehold buildings	2%-4%
Leasehold improvements:	
Own leasehold buildings	20%-33 $\frac{1}{3}$ %
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.

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

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

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

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

*(c) Financial liabilities*

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

**Intangible assets**

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

**Inventories**

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

**Cash and cash equivalents**

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

**Income tax**

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

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

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

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

### Impairment allowances

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

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

Incurred loss events, not fully listed, include:

- significant financial difficulty of the issuer or obligor;
- a serious breach of contract, such as a serious default or delinquency in interest or principal payments;
- 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
- 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.

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

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

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

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.

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

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

*(b) Transactions and balances*

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

**Operating leases**

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

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

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

*(b) Share option scheme*

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

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

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

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### (c) *Employment Ordinance long service payments*

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

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

### (d) *Employee leave entitlements*

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

### **Revenue recognition**

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

- (a) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;
- (b) commission, brokerage and fee income, when services are rendered;
- (c) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (d) rental income, on the straight-line basis over the lease terms; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

### **Dividends**

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

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 4. SEGMENTAL INFORMATION

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

#### (a) By business segments

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

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

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

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

Group	Personal and commercial lending		Taxi trading and related operations, and other businesses		Eliminated on consolidation		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
								(Restated)
<b>Segment revenue</b>								
Net interest income	766,136	699,411	(89)	14	–	–	766,047	699,425
Other operating income:								
Fees and commission income	118,674	165,541	3,056	3,045	–	–	121,730	168,586
Others	–	–	12,450	13,188	–	–	12,450	13,188
Inter-segment transactions	–	–	737	7,879	(737)	(7,879)	–	–
	<u>884,810</u>	<u>864,952</u>	<u>16,154</u>	<u>24,126</u>	<u>(737)</u>	<u>(7,879)</u>	<u>900,227</u>	<u>881,199</u>
Unallocated revenue:								
Amortisation of negative goodwill							–	18,433
Gain on disposal of a subsidiary							–	46
							<u>900,227</u>	<u>899,678</u>

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

Group	Personal and commercial lending		Taxi trading and related operations, and other businesses		Eliminated on consolidation		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
								(Restated)
<b>Segment results</b>	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							<u>446,297</u>	<u>412,889</u>
<b>Segment assets</b>	<u>4,201,485</u>	<u>4,193,521</u>	<u>258,957</u>	<u>134,964</u>	–	–	4,460,442	4,328,485
Unallocated assets:								
Intangible asset							126	126
Negative goodwill							–	(55,297)
Deferred tax assets							2,854	20,365
<b>Total assets</b>							<u>4,463,422</u>	<u>4,293,679</u>
<b>Segment liabilities</b>	<u>1,662,637</u>	<u>1,752,405</u>	<u>70,680</u>	<u>40,527</u>	–	–	1,733,317	1,792,932
Unallocated liabilities:								
Declared dividend							291,706	283,104
Deferred tax liabilities and tax payable							44,965	51,106
<b>Total liabilities</b>							<u>2,069,988</u>	<u>2,127,142</u>
<b>Other segmental information extracted from the consolidated profit and loss account and balance sheet</b>								
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.

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 5. OTHER OPERATING INCOME

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees and commission income	121,730	168,586
Gross rental income	7,198	6,774
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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs:		
Salaries and other staff costs	86,731	100,028
Pension contributions	6,393	6,368
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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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

### 7. LOANS AND ADVANCES AND RECEIVABLES

#### (a) Advances to customers and receivables

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loans and advances to customers	3,583,800	3,249,726
Interest receivable	45,232	45,129
	<u>3,629,032</u>	<u>3,294,855</u>
Other receivables	73,902	79,168
	<u>3,702,934</u>	<u>3,374,023</u>
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)
	<u>(190,679)</u>	<u>(270,996)</u>
	<u><u>3,512,255</u></u>	<u><u>3,103,027</u></u>

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

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

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

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(b) Gross amount of impaired loans and advances

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

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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

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

(d) **Reposessed assets**

The amount of reposessed 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.

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 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 <i>HK\$'000</i>	2005			Total <i>HK\$'000</i>
		Salaries and other benefits <i>HK\$'000</i> <i>(Note 1)</i>	Bonuses <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	
Tan Sri Dato' Sri					
Dr. Teh Hong Piow	205	486	–	–	691
Tan Yoke Kong <i>(Note 2)</i>	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

Name of Director	Fees <i>HK\$'000</i>	2004			Total <i>HK\$'000</i>
		Salaries and other benefits <i>HK\$'000</i> <i>(Note 1)</i>	Bonuses <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	
Tan Sri Dato' Sri					
Dr. Teh Hong Piow	170	–	–	–	170
Tan Yoke Kong <i>(Note 2)</i>	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 <i>(Note 3)</i>	64	–	–	–	64
Wong Kong Ming	45	–	–	–	45
Dato' Yeoh Chin Kee	85	–	–	–	85
Geh Cheng Hooi, Paul	85	–	–	–	85
Lee Chin Guan <i>(Note 4)</i>	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.

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 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:

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

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

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

### 10. TAX

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

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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:

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

### 11. PROFIT OF THE COMPANY FOR THE YEAR

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

### 12. DIVIDENDS

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

### 13. EARNINGS PER SHARE

#### (a) Basic earnings per share

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### (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.

	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
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

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

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

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

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 16. AVAILABLE-FOR-SALE SECURITY INVESTMENT

	<b>2005</b>	<b>Group</b>	<b>2004</b>
	<i>HK\$'000</i>		<i>HK\$'000</i>
At beginning of year	16,744		13,565
Change in fair value ( <i>Note 30</i> )	9,137		3,179
	25,881		16,744
	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

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

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 19. LAND LEASE PREPAYMENTS

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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

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

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

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

### 20. INTERESTS IN SUBSIDIARIES

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

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

Particulars of the Company's subsidiaries are as follows:

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

Notes:

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

### 21. OTHER ASSETS

	Group		Company	
	2005 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
	<u>34,418</u>	<u>10,582</u>	<u>4,645</u>	<u>159</u>

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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

### 23. CUSTOMER DEPOSITS

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

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

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 24. OTHER LIABILITIES

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

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

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

### 25. PROVISION FOR LONG SERVICE PAYMENTS

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

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

### 26. DEFERRED TAX

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

#### Group

Deferred tax assets:

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

Deferred tax liabilities:

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

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

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

### 27. SHARE CAPITAL

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

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

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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### 28. SHARE OPTION SCHEME

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

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

#### (a) Summary of the Scheme

Purpose	:	To attract, retain and motivate talented eligible participants.
Participants	:	Eligible participants include: <ul style="list-style-type: none"><li>(i) any employee and director of the Company or any subsidiary or any associate or controlling shareholder;</li><li>(ii) any discretionary trust whose discretionary objects include person(s) belonging to the aforesaid participants;</li><li>(iii) a company beneficially owned by person(s) belonging to the aforesaid participants; and</li><li>(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.</li></ul>
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"><li>(i) the closing price of the ordinary shares on the Stock Exchange at the offer date;</li><li>(ii) the average closing price of the ordinary shares on the Stock Exchange for 5 business days immediately preceding the offer date; and</li><li>(iii) the nominal value of an ordinary share.</li></ul>
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.

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

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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

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

### Variables

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

### Notes:

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

# APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

## 30. RESERVES

Group	Share premium account <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Available- for-sale investment revaluation reserve <i>HK\$'000</i>	Employee share-based compensation reserve <i>HK\$'000</i>	Regulatory reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
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

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Company	Share premium account <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Available- for-sale investment revaluation reserve <i>HK\$'000</i>	Employee share-based compensation reserve <i>HK\$'000</i>	Regulatory reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2004	1,209,593	829	194,176	-	-	-	-	-	1,229,039	2,633,637
Dividends for 2004 ( <i>Note 12</i> )	-	-	-	-	-	-	-	-	(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 ( <i>Note 12</i> )	-	-	-	-	-	-	-	-	(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.

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 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:

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

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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

### 33. COMMITMENTS AND CONTINGENT LIABILITIES

#### (a) Commitments

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

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

#### (b) Contingent liabilities

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

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

### 34. ASSETS PLEDGED AS SECURITY

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

**35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The financial assets and liabilities are mainly composed of:

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

*Notes:*

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

**Credit risk**

*(i) Definition and sources*

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

*(ii) Risk management policies*

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

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

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

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

*(iii) Maximum credit risk exposures*

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

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

*(iv) Significant concentrations of credit risk*

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

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### Interest rate risk

#### (i) Definition and sources

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

#### (ii) Risk management policy

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

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

Group	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			
<b>Assets</b>							
Fixed rate financial assets							
– Cash and short-term placements	372,253	–	–	–	–	80,756	453,009
– Placements with banks maturing after one month	5,000	–	–	–	–	–	5,000
– Loans and advances and receivables (before impairment allowances)	1,721,291	759,399	278,034	51,942	69,101	148,664	3,028,431
– Available-for-sale security investment	–	–	–	–	–	25,881	25,881
	<u>2,098,544</u>	<u>759,399</u>	<u>278,034</u>	<u>51,942</u>	<u>69,101</u>	<u>255,301</u>	<u>3,512,321</u>
Floating rate financial assets							
– Loans and advances and receivables (before impairment allowances)	594,502	–	–	–	–	80,001	674,503
	<u>594,502</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>80,001</u>	<u>674,503</u>
Less:							
<b>Liabilities</b>							
Fixed rate financial liabilities							
– Customer deposits	1,640,710	1,268	–	–	–	–	1,641,978
	<u>1,640,710</u>	<u>1,268</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,641,978</u>
<b>Total interest sensitivity gap</b>	<u>1,052,336</u>	<u>758,131</u>	<u>278,034</u>	<u>51,942</u>	<u>69,101</u>	<u>335,302</u>	<u>2,544,846</u>

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Group	One year or less HK\$'000	2004			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			
<b>Assets</b>							
Fixed rate financial assets							
– Cash and short-term placements	679,735	–	–	–	–	111,189	790,924
– Placements with banks maturing after one month	5,000	–	–	–	–	–	5,000
– Loans and advances and receivables (before provisions)	1,634,061	675,205	220,592	37,925	105,017	123,901	2,796,701
– Available-for-sale security investment	–	–	–	–	–	16,744	16,744
	<u>2,318,796</u>	<u>675,205</u>	<u>220,592</u>	<u>37,925</u>	<u>105,017</u>	<u>251,834</u>	<u>3,609,369</u>
Floating rate financial assets							
– Loans and advances and receivables (before provisions)	493,268	–	–	–	–	84,054	577,322
	<u>493,268</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>84,054</u>	<u>577,322</u>
Less:							
<b>Liabilities</b>							
Fixed rate financial liabilities							
– Customer deposits	1,706,154	14,227	–	–	–	–	1,720,381
	<u>1,706,154</u>	<u>14,227</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,720,381</u>
Total interest sensitivity gap	<u>1,105,910</u>	<u>660,978</u>	<u>220,592</u>	<u>37,925</u>	<u>105,017</u>	<u>335,888</u>	<u>2,466,310</u>

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

	2005 HK dollar Rate %	2004 HK dollar Rate %
<b>Assets</b>		
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	–	–
<b>Liabilities</b>		
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.

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### 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.

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

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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*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.

### **3. INDEBTEDNESS**

#### **Borrowings**

At the close of business on 28 February 2006, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the Group had no outstanding borrowings.

#### **Debts securities**

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

#### **Securities and guarantees**

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

#### **Contingent liabilities**

At 28 February 2006, the Group had no material contingent liabilities.

#### **Disclaimer**

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

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

### **4. WORKING CAPITAL**

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

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 5A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group as if the Rights Issue had taken place on 31 December 2005.

The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group following the Rights Issue.

Consolidated net assets of the Group as at 31 December 2005 (Audited) <i>HK\$'000</i> <i>(note 1)</i>	Deduct: Intangible assets and deferred tax assets <i>HK\$'000</i> <i>(note 1)</i>	Consolidated net tangible assets of the Group as at 31 December 2005 <i>HK\$'000</i>	Add: Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(note 2)</i>	Pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2005 (Unaudited) <i>HK\$'000</i>
2,393,434	(2,980)	2,390,454	2,660,315	5,050,769
Consolidated net tangible assets per Share and before the completion of the Rights Issue <i>(note 3)</i>				HK\$3.28
Unaudited pro forma adjusted consolidated net tangible assets per Share immediately after the completion of the Rights Issue <i>(note 4)</i>				HK\$4.62

*Notes:*

- (1) These figures are extracted from the published annual report of the Company for the year ended 31 December 2005.
- (2) Following the completion of the Rights Issue, the estimated net proceeds are not less than approximately HK\$2,660 million, resulting in an increase in net tangible assets of the Group of approximately HK\$2,660 million.
- (3) Based on 729,264,412 Shares in issue as at 31 December 2005.
- (4) Based on 1,093,896,618 Shares as enlarged immediately after the completion of the Rights Issue as at the Latest Practicable Date.

**5B. COMFORT LETTER ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

*The following is the text of a letter from Ernst & Young to the directors of the Company dated 17 March 2006 prepared for the purpose of inclusion in this prospectus.*



17 March 2006

The Directors  
JCG Holdings Limited

Dear Sirs,

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of JCG Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on page 76 in Section 5A of Appendix I of the Company’s prospectus dated 17 March 2006 in connection with the proposed rights issue of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Rights Issue might have affected the net tangible assets of the Group as if the Rights Issue had taken place at 31 December 2005.

**Responsibilities**

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information of the Group in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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

**Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information of the Group.

The Unaudited Pro Forma Financial Information of the Group has been prepared on the basis set out in Section 5A of Appendix I of the prospectus for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group as at 31 December 2005 or at any future date.

**Opinion**

In our opinion:

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

Yours faithfully,  
**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

**6. MATERIAL ADVERSE CHANGE**

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

**7. FINANCIAL REVIEW**

The adoption of certain new accounting standards in 2005 has a direct impact on the results of the Group. During the year 2005, the Group's profit after tax increased moderately by 8.1 per cent. or HK\$33.4 million to HK\$446.3 million when compared to HK\$412.9 million for the year 2004, after taking into account a revaluation surplus on properties of HK\$33.7 million, cessation of annual amortisation of HK\$18.4 million for negative goodwill, and provision for share option benefits expense of HK\$45.8 million in the profit and loss account. The Group's basic earnings per share for the year ended 31 December 2005 increased to HK\$0.62 per share. The Directors have declared and paid the first interim dividend of HK\$0.06 per share together with the special dividend of HK\$0.29 per share, and have declared the second interim dividend of HK\$0.40 per share on 30 December 2005. The second interim dividend was paid on 21 February 2006. The total dividends in 2005 amounted to HK\$0.75 per share.

During the year 2005, the Group's net interest income increased by 9.5 per cent. or HK\$66.6 million to HK\$766.0 million as compared to the previous year. Interest income increased by 12.6 per cent. or HK\$89.9 million to HK\$802.7 million mainly due to the growth in loans and advances, and after taking into account the reallocation of certain fee income from non-interest income of HK\$39.7 million upon prospective adoption of new accounting standards. Interest expense increased by 173.9 per cent. or HK\$23.2 million to HK\$36.6 million mainly due to higher interest rates offered on customer deposits.

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

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

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

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## **APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP**

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

### **8. BUSINESS REVIEW**

In 2005, Hong Kong's economy recorded stronger real GDP growth of 7.3 per cent., and the unemployment rate fell to 5.2 per cent. at the end of December 2005. With the economy improving further, consumer sentiment and confidence picked up momentum generally.

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

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

### **9. PROSPECT**

For the year 2006, Hong Kong's economy is expected to expand further amidst higher interest rates and inflation. The competition for consumer loan business in Hong Kong is expected to intensify further amongst financial institutions after having full access and benefits from sharing positive credit data for consumer loans.

To face such competition and challenges, the Group will focus on selected market segments to expand its customer base and market share in consumer loans through aggressive marketing and promotional activities. The Group will continue to emphasize training a skilled workforce so as to improve their marketing skills and strengthen the quality of customer service. The Group will continue to relocate its branches to more prominent positions for ease

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**APPENDIX I      FINANCIAL INFORMATION RELATING TO THE GROUP**

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of accessibility by customers, and to open new branches where feasible. With a strong corporate governance in place, a dedicated workforce providing excellent customer service, and aggressive marketing, the Group is poised to further grow its consumer financing business in 2006 barring any unforeseen circumstances. Nevertheless, the Group will further strengthen its credit risk management and apply stringent credit criteria for loan assessments to ensure good asset quality.

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

Upon completion of the Acquisition, ACB shall become a wholly-owned subsidiary of the Company. The Directors believe that the Acquisition represents a good opportunity for the Group to expand its franchise in Hong Kong and Greater China, and, to serve its customers through a combination of the Group's retail and consumer financing expertise and ACB's commercial and mortgage strengths. The Acquisition will also provide the opportunities for the Group to tap into wider funding source from the retail deposits market.

The principal activities of the ACB Group consist of the provision of a comprehensive range of banking, financial and related services. ACB operates mainly in Hong Kong and has one branch in Shenzhen and representative offices in Shanghai, Shenyang and Taipei.

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

Financial information relating to the ACB Group will be included in a circular in connection with the Acquisition. The circular will be despatched in due course.

**1. RESPONSIBILITY STATEMENT**

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

**2. PARTICULARS OF DIRECTORS**

*Tan Sri Dato' Sri Dr. Teh Hong Piow*, aged 76, is the founder and the Chairman and is a substantial shareholder of Public Bank, a commercial bank listed on Bursa Malaysia Securities Berhad and the holding company of the Company. He has more than 56 years of experience in the banking and finance industry. He was appointed a Non-executive Director and the Chairman of the Company in September 1991. He is currently the Chairman of the Remuneration Committee and Nomination Committee of the Company. He is also the Non-executive Chairman of Public Finance Limited ("Public Finance"). He had served in various capacities in public service bodies in Malaysia; he was a member of the Malaysian Business Council from 1991 to 1993; a member of the National Trust Fund from 1988 to 2001; a founder member of the Advisory Business Council since 2003; and is a member of the IPRM Accreditation Privy Council of Malaysia. He is a Fellow of several institutes which include the Institute of Bankers Malaysia; the Chartered Institute of Bankers, United Kingdom; the Institute of Administrative Management, United Kingdom; the Institute of Chartered Secretaries and Administrators, Australia; and the Malaysian Institute of Management. He also holds directorships in several other companies in the Public Bank Group.

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

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

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

Business Administration from Henley, United Kingdom and attended the Advanced Management Program at Harvard Business School. He is a Fellow of the Australasian Institute of Banking and Finance and the Institute of Bankers Malaysia. He is presently the Chairman of the Association of Finance Companies of Malaysia and the Honorary Advisor to the Association of Hire Purchase Companies Malaysia. He is a Council Member of the National Economic Action Council and the National Payments Advisory Board in Malaysia. He also holds directorships in several other companies in the Public Bank Group.

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

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

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

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

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

**3. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE**

<b>Registered office</b>	Clarendon House Church Street Hamilton HM11 Bermuda
<b>Head office and principal place of business</b>	1105-7 Wing On House 71 Des Voeux Road Central Hong Kong
<b>Underwriter</b>	Public Bank Berhad Malaysia
<b>Hong Kong legal adviser to the Company</b>	Deacons 5th Floor Alexandra House 18 Chater Road Central Hong Kong
<b>Bermuda legal adviser to the Company</b>	Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong
<b>Auditors</b>	Ernst & Young <i>Certified Public Accountants</i> 18th Floor Two International Finance Centre 8 Finance Street Central Hong Kong
<b>Principal share registrar and transfer office</b>	Butterfield Fund Services (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke Bermuda

<b>Hong Kong branch share registrar</b>	Tengis Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
<b>Principal Bankers</b>	Bank of China (Hong Kong) Limited Barclays Bank PLC Bumiputra-Commerce Bank Berhad Industrial and Commercial Bank of China (Asia) Limited Overseas-Chinese Banking Corporation Limited Public Bank Berhad Scotiabank (Hong Kong) Limited Standard Chartered Bank The Hongkong and Shanghai Banking Corporation Limited
<b>Authorised representatives</b>	Tan Yoke Kong Lee Huat Oon
<b>Joint secretaries</b>	Tan Yoke Kong <i>FCCA, ACIS</i> Chan Sau Kuen <i>FCS, FCIS</i>
<b>Qualified Accountant</b>	Mak Chi Leung, Paul <i>MBA, CPA, FCCA</i>

## 4. DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, the interests or short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange (together, “Discloseable Interests”) were as follows:

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

Interests in	Name of director	Number of ordinary shares			Total	Percentage of interest in issued share capital
		Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
The Company	Tan Sri Dato' Sri	–	–	466,768,110	466,768,110	64.0053
	Dr. Teh Hong Piow					
	Tan Yoke Kong	80,000	–	–	80,000	0.0110
	Lee Huat Oon	20,000	–	–	20,000	0.0027
	Dato' Yeoh Chin Kee	32,000	–	–	32,000	0.0044
Public Bank, the ultimate holding company	Tan Sri Dato' Sri	21,524,250	–	786,468,596	807,992,846	23.5336
	Dr. Teh Hong Piow					
	Dato' Sri Tay Ah Lek	3,810,109	–	139,482	3,949,591	0.1150
	Dato' Yeoh Chin Kee	1,360,000	400,000	–	1,760,000	0.0513
	Lee Chin Guan	1,000,000	–	–	1,000,000	0.0291
	Dato' Chang Kat Kiam	166,435	–	–	166,435	0.0048
	Tan Yoke Kong	15,000	–	–	15,000	0.0004
	Lee Huat Oon	5,000	–	–	5,000	0.0001
	Wong Kong Ming	176,386	–	–	176,386	0.0051
Public Mutual Bhd., a fellow subsidiary	Tan Sri Dato' Sri	–	–	5,400,000	5,400,000	90.0000
	Dr. Teh Hong Piow					
Winsure Company, Limited, a subsidiary	Tan Sri Dato' Sri	–	–	15,500	15,500	96.8750
	Dr. Teh Hong Piow					

Tan Sri Dato' Sri Dr. Teh Hong Piow, by virtue of his direct and indirect interests of 807,992,846 shares in Public Bank, is also deemed interested in the shares of the Company and its associated corporations as disclosed above, to the extent Public Bank has interests.

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

Pursuant to the share option schemes of the Company and Public Bank, the Directors have been granted rights to acquire shares of the Company and Public Bank. Details of the share options granted as at the Latest Practicable Date were as follows:

Interests in	Name of director	Number of share options	Exercise price	Exercise period
The Company	Tan Yoke Kong	1,928,000	HK\$7.29	10.6.2005 to 9.6.2015
	Lee Huat Oon	3,170,000	HK\$7.29	10.6.2005 to 9.6.2015
	Dato' Sri Tay Ah Lek	1,680,000	HK\$7.29	10.6.2005 to 9.6.2015
	Dato' Chang Kat Kiam	1,680,000	HK\$7.29	10.6.2005 to 9.6.2015
	Wong Kong Ming	4,000,000	HK\$7.29	10.6.2005 to 9.6.2015
	Dato' Yeoh Chin Kee	700,000	HK\$7.29	10.6.2005 to 9.6.2015
	Geh Cheng Hooi, Paul	700,000	HK\$7.29	10.6.2005 to 9.6.2015
	Lee Chin Guan	350,000	HK\$7.29	10.6.2005 to 9.6.2015
	Public Bank	Dato' Sri Tay Ah Lek	4,500,000	RM6.37
		4,000,000	RM5.67	5.12.2005 to 24.2.2008
		<u>8,500,000</u>		
Dato' Yeoh Chin Kee		2,025,000	RM6.37	24.2.2005 to 24.2.2008
		2,000,000	RM5.67	5.12.2005 to 24.2.2008
		<u>4,025,000</u>		

**APPENDIX II****GENERAL INFORMATION**

<b>Interests in</b>	<b>Name of director</b>	<b>Number of share options</b>	<b>Exercise price</b>	<b>Exercise period</b>
Public Bank (continued)	Lee Chin Guan	1,125,000	RM6.37	24.2.2005 to 24.2.2008
		1,250,000	RM5.67	5.12.2005 to 24.2.2008
		<hr/> <u>2,375,000</u>		
	Dato' Chang Kat Kiam	123,000	RM6.37	24.2.2005 to 24.2.2008
		130,000	RM5.67	5.12.2005 to 24.2.2008
		<hr/> <u>253,000</u>		
	Tan Yoke Kong	30,000	RM6.37	15.2.2005 to 24.2.2008
		40,000	RM5.67	5.12.2005 to 24.2.2008
		<hr/> <u>70,000</u>		
	Lee Huat Oon	20,000	RM6.37	15.2.2005 to 24.2.2008
		30,000	RM5.67	5.12.2005 to 24.2.2008
		<hr/> <u>50,000</u>		
	Wong Kong Ming	8,000	RM4.92	17.6.2004 to 24.2.2008
		10,000	RM6.37	16.2.2005 to 24.2.2008
		25,000	RM5.67	5.12.2005 to 24.2.2008
		<hr/> <u>43,000</u>		

*Notes:*

1. The Share Options to subscribe for Shares in the Company are only exercisable during certain periods as notified by the Board or the Share Option Committee to each grantee which the Company may in its absolute discretion determine from time to time before the expiry of the Share Options on 9 June 2015.
2. 29,670,000 Share Options granted to the employees (excluding the Directors) of the Group were outstanding. Exercise price and exercise period were the same as those applicable to the Directors as set out above.
3. The share options to subscribe for ordinary shares of RM1.00 each in Public Bank were first granted on 10 April 1998 under the Public Bank Berhad Employees' Share Option Scheme (the "PBB ESOS"). Following approvals from the relevant authorities and the shareholders of Public Bank at the extraordinary general meetings held on 20 May 2002, 20 April 2004 and 30 March 2005, the PBB ESOS has been extended for a total of five years to 25 February 2008. Hence, the exercise period of the options has also been extended up to and including 24 February 2008. The share options are exercisable subject to the terms of the PBB ESOS.
4. The Share Options and the share options under the PBB ESOS were granted to each holder on each grant at nominal consideration of HK\$1.00 and RM1.00 respectively.
5. Save as disclosed above, the Group did not have any other options as at the Latest Practicable Date.

Save as disclosed above, none of the Directors had any Discloseable Interests as at the Latest Practicable Date.

## 5. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to any Directors or chief executive of the Company, as at the Latest Practicable Date, persons (other than the interests of Tan Sri Dato' Sri Dr. Teh Hong Piow as disclosed above) who had an interest or a short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

### The Company

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

Save as disclosed above, no person had an interest or a short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group as at the Latest Practicable Date.

## 6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group which is not determinable within one year without payment of compensation (other than statutory compensation).

## 7. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

- (a) Since 31 December 2005 (being the date to which the latest published audited consolidated accounts of the Company were made up), none of the Directors or any proposed Director had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) Save as disclosed in the section headed "**Material Contracts**" in this Appendix, no Director is materially interested in any contract or arrangement entered into by the members of the Group which is subsisting at the date of this prospectus and which is significant in relation to the business of the Group taken as a whole.

## 8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

## 9. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Group within the two years preceding the Latest Practicable Date and are or may be material:

- (a) the Share Purchase Agreement;
- (b) the Underwriting Agreement; and
- (c) the facility agreement dated 14 February 2006 entered into among the Company, Barclays Capital and Barclays Bank PLC.

**10. EXPERT AND CONSENT**

The following is the qualification of the expert who has given its opinion, which is included in this prospectus:

<b>Name</b>	<b>Qualification</b>
Ernst & Young (“EY”)	Certified Public Accountants

EY has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its letter as set out in this prospectus and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, EY did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, EY did not have any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to any member of the Group respectively, since 31 December 2005, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, EY was not materially interested, directly or indirectly, in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole.

**11. EXPENSES**

The expenses in connection with the Rights Issue, including financial and legal advisory fees, printing and translation expenses, are estimated to be approximately HK\$1.5 million and will be payable by the Company.

**12. LEGAL EFFECT**

The Rights Issue Documents and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an acceptance or application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by all the provisions, other than the penal provisions, of sections 44A and 44B of the Companies Ordinance, so far as applicable.

**13. GENERAL**

The English language text of this document shall prevail over the Chinese language text.

**14. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES IN HONG KONG AND BERMUDA**

A copy of each of the Rights Issue Documents, having attached thereto the written consent referred to under the heading “**Expert and Consent**” in this Appendix, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance. A copy of each of the Rights Issue Documents has been filed with the Registrar of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda.

**15. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the office of Deacons at 5th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours from the date of this prospectus until Friday, 31 March 2006:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company in respect of the two years ended 31 December 2005;
- (c) the material contracts referred to in paragraph 9 of this Appendix;
- (d) the letter from EY dated 17 March 2006 on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out on pages 77 and 78 of this prospectus; and
- (e) the written consent referred to in paragraph 10 of this Appendix.