JCG HOLDINGS LIMITED
日本信用保証集團*

(incorporated in Bermuda with limited liability)

(Stock code: 626; Website: www.jcg.com.hk)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

ANNUAL RESULTS

The Board of Directors of JCG Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005 with comparative figures as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Year ended 31 December	
		2005	2004
	Notes	***HK$'000***	*HK$'000*
Interest income	*3*	**802,660**	712,792
Interest expense		**(36,613)**	(13,367)
NET INTEREST INCOME		**766,047**	699,425
Other operating income	*3*	**134,180**	181,820
Amortisation of negative goodwill		**–**	18,433
OPERATING INCOME		**900,227**	899,678
Operating expenses	*4*	**(211,587)**	(233,170)
OPERATING PROFIT BEFORE IMPAIRMENT LOSS AND ALLOWANCES/PROVISIONS		**688,640**	666,508
Impairment loss and allowances/ provisions for impaired financial assets	*8*	**(158,751)**	(173,342)
PROFIT BEFORE TAX		**529,889**	493,166
Tax	*5*	**(83,592)**	(80,277)
PROFIT FOR THE YEAR		**446,297**	412,889
DIVIDENDS	*6*		
Interim		**335,461**	318,492
Special		**211,487**	1,238,577
		546,948	1,557,069
EARNINGS PER SHARE (HK$)	*7*		
Basic		**0.623**	0.583
Diluted		**0.622**	N/A

CONSOLIDATED BALANCE SHEET

	Notes	**31 December 2005** *HK$'000*	31 December 2004 *HK$'000* (Restated)
ASSETS			
Cash and short term placements		**453,009**	790,924
Placements with banks and financial institutions maturing between one and three months		**5,000**	5,000
Loans and advances and receivables	*8*	**3,512,255**	3,103,027
Available-for-sale security investment		**25,881**	16,744
Inventories of taxi licences		**26,988**	29,649
Investment properties		**147,987**	106,255
Property, plant and equipment		**21,336**	23,120
Land lease prepayment		**233,568**	243,184
Deferred tax assets		**2,854**	20,365
Intangible asset		**126**	126
Negative goodwill		**–**	(55,297)
Other assets	*9*	**34,418**	10,582
TOTAL ASSETS		**4,463,422**	4,293,679
EQUITY AND LIABILITIES			
LIABILITIES			
Customer deposits		**1,641,978**	1,720,381
Declared dividend		**291,706**	283,104
Current tax payable		**31,555**	39,559
Deferred tax liabilities		**13,410**	11,547
Other liabilities	*10*	**91,339**	72,551
TOTAL LIABILITIES		**2,069,988**	2,127,142
EQUITY			
Share capital		**72,926**	70,776
Reserves	*11*	**2,320,508**	2,095,761
TOTAL EQUITY		**2,393,434**	2,166,537
TOTAL EQUITY AND LIABILITIES		**4,463,422**	4,293,679

CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

	Note	Year ended 31 December 2005 HK$'000	2004 HK$'000
TOTAL EQUITY			
Balance at beginning of year			
As previously reported		**2,163,280**	3,304,281
Prior year adjustments upon adoption of new accounting standards	2	**3,257**	3,257
As restated before opening adjustments upon adoption of new accounting standards		**2,166,537**	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 are detailed in note 2 to the financial statements following the adoption of HKFRSs and HKASs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in these financial statements are consistent with those adopted in the Company's 2004 Annual Report except for the adoption of the new HKFRSs and HKASs as disclosed in note 2 below.

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 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 recognised as follows:

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

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

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

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

(b) The adoption of HKFRS 3 and HKAS 36 has resulted in a change in the accounting policy for goodwill. Prior to this, positive goodwill/negative goodwill arising on acquisitions prior to 1 January 2001 was eliminated against/credited to consolidated capital reserve 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 against the opening balance of the retained profits 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 retained profits. Positive goodwill previously eliminated against consolidated capital reserve remains eliminated against consolidated capital reserve and is not recognised in the profit and loss account when all or part of the business to which the positive goodwill relates is dispose 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. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

(c) HKAS 16 has not resulted in significant impact on accounting policies and on amounts disclosed in the financial statements.

(d) 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 prepayment, while leasehold buildings continue to be classified as part of property, plant and equipment. Land lease prepayment 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. In accordance with the transitional provisions of HKAS 17, comparative amounts on the consolidated balance sheet for the year ended 31 December 2004 have been restated to reflect the reclassification of leasehold land.

(e) HKAS 24 affects the identification of related parties and the disclosure of related party transactions.

(f) HKAS 30 has not resulted in significant impact on accounting policies and on amounts disclosed in the financial statements.

(g) 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 by 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.

(h) 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 are 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 its parent company or its fellow subsidiaries are 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 its parent company or its fellow subsidiaries are classified as investment properties.

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

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

The effects of the above changes are summarised in note 2 to the consolidated financial statements.

(j) Effects of changes in the above accounting policies on the consolidated balance sheet are as follows:

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

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

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

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

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

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

3. OTHER OPERATING INCOME

	Year ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
Fees and commission income	**121,730**	168,586
Gross rental income	**7,198**	6,774
Less: Outgoing 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 has been reallocated to interest income upon prospective adoption of new accounting standards.

4. OPERATING EXPENSES

	Year ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
Staff costs:		
Salaries and other staff costs	**86,731**	100,028
Pension contributions	**6,393**	6,368
Less: Forfeited contributions	**(524)**	(215)
Net pension contributions	**5,869**	6,153
	92,600	106,181
Employee share option benefits	**45,765**	–
	138,365	106,181
Other operating expenses:		
Operating lease rentals on leasehold buildings	**20,221**	19,628
Depreciation and amortisation of land lease prepayment	**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 properties	**245,261**	225,822
(Reversal of impairment loss)/impairment loss on leasehold buildings	**(3,514)**	18,306
Surplus on revaluation of investment properties	**(30,160)**	(10,958)
(Revaluation gain)/impairment loss on properties	**(33,674)**	7,348
	211,587	233,170

(a) The Group operates two defined contribution retirement benefit schemes, namely the Occupational Retirement Scheme Ordinance Scheme and the Mandatory Provident Fund Scheme, for those employees who are eligible to participate. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions are made based on a percentage of the participating employees' relevant monthly income from the Group, and are charged to the profit and loss account as they become payable in accordance with the rules of the respective schemes.

(b) As at 31 December 2005, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2004: Nil). The current year credits arose in respect of staff who left the scheme during the year.

5. TAX

	Year ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
Hong Kong:		
Current tax charge	**80,851**	71,386
Under provisions in prior years	**–**	1,750
Deferred tax charge	**2,741**	7,141
	83,592	80,277

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

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:

	Year ended 31 December			
	2005		2004	
	HK$'000	*%*	*HK$'000*	*%*
Hong Kong:				
Profit before tax	**529,889**		493,166	
Tax at the applicable tax rate	**92,731**	**17.5**	86,304	17.5
Estimated tax effect of net income that is not taxable	**(8,883)**	**(1.7)**	(5,857)	(1.2)
Estimated tax losses from previous periods utilised	**(571)**	**(0.1)**	(2,194)	(0.5)
Estimated tax losses not recognised	**315**	**0.1**	274	0.1
Under provisions in prior years	**–**	**–**	1,750	0.4
Tax charge at the Group's effective rate	**83,592**	**15.8**	80,277	16.3

6. DIVIDENDS

	Year ended 31 December			
	2005	2004	**2005**	2004
	HK$ per ordinary share		***HK$'000***	*HK$'000*
Interim:				
First	**0.06**	0.05	**43,755**	35,388
Second	**0.40**	0.40	**291,706**	283,104
Special	**0.29**	1.75	**211,487**	1,238,577
	0.75	2.20	**546,948**	1,557,069

7. EARNINGS PER SHARE

(a) Basic earnings per share

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

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding 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 annual 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 outstanding share options.

	Year ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
Profit for the year	**446,297**	412,889
Weighted average number of ordinary shares in issue for determining basic earnings per share	**715,880,181**	707,758,412
Weighted average number of outstanding share options	**1,819,000**	–
Weighted average number of ordinary shares for determining diluted earnings per share	**717,699,181**	707,758,412
Diluted earnings per share (HK$)	**0.622**	N/A

8. LOANS AND ADVANCES AND RECEIVABLES

(a) Advances to customers and receivables

	31 December 2005 *HK$'000*	31 December 2004 *HK$'000*
Loans and advances to customers	**3,583,800**	3,249,726
Interest receivable	**45,232**	45,129
	3,629,032	3,294,855
Other receivables	**73,902**	79,168
	3,702,934	3,374,023
Impairment allowances/provisions for advances to customers and receivables:		
Individual impairment allowances	**(78,276)**	–
Collective impairment allowances	**(112,403)**	–
Specific provision	**–**	(160,614)
General provision	**–**	(110,382)
	(190,679)	(270,996)
	3,512,255	3,103,027

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

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

	31 December 2005 *HK$'000*	31 December 2004 *HK$'000*
Repayable:		
On demand	**19,999**	21,929
Within three months or less	**546,405**	534,255
Within one year or less but over three months	**1,196,343**	1,120,700
Within five years or less but over one year	**1,217,724**	1,063,872
After five years	**490,573**	422,343
Undated	**231,890**	210,924
	3,702,934	3,374,023

(b) Gross amount of impaired loans and advances

	31 December 2005		31 December 2004	
	Gross amount *HK$'000*	***Percentage of total loans and advances***	Gross amount *HK$'000*	*Percentage of total loans and advances*
Gross impaired loans and advances				
Overdue for:				
Six months or less but over three months	**62,450**	**1.7**	48,870	1.5
One year or less but over six months	**29,385**	**0.8**	25,156	0.8
Over one year and loss accounts	**116,786**	**3.3**	113,527	3.5
Total impaired loans and advances	**208,621**	**5.8**	187,553	5.8
Impairment allowances/provisions for impaired loans and advances:				
Individual impairment allowances	**(78,276)**		–	
Collective impairment allowances	**(105,834)**		–	
Specific provision	**–**		(160,614)	
	(184,110)		(160,614)	
	24,511	**0.7**	26,939	0.8

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

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

	31 December 2005 *HK$'000*	31 December 2004 *HK$'000*
Impairment allowances/provisions for loans and advances to customers	**261,215**	308,054
Impairment allowances/provisions for other receivables	**9,781**	9,781
Balance at 1 January 2005 and 1 January 2004	**270,996**	317,835
Opening adjustment to retained profits upon adoption of HKAS 39 at 1 January 2005	**(77,246)**	–
Balance as restated at 1 January 2005 and 1 January 2004	**193,750**	317,835
Recoveries	**59,648**	46,609
Charge for the year	**218,399**	219,951
Amounts released	**(59,648)**	(46,609)
Net charge to the consolidated profit and loss account	**158,751**	173,342
Amounts written off	**(221,470)**	(266,790)
	190,679	270,996

(d) Repossessed assets

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

9. OTHER ASSETS

	31 December 2005 *HK$'000*	31 December 2004 *HK$'000*
Interest receivable from authorised institutions	**258**	17
Other debtors, deposits and prepayments	**34,160**	10,565
	34,418	10,582

10. OTHER LIABILITIES

	31 December 2005 *HK$'000*	31 December 2004 *HK$'000*
Creditors, accruals and interest payable	**86,995**	67,889
Amount due to the ultimate holding company	**338**	394
Provision for long service payments	**4,006**	4,268
	91,339	72,551

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

11. RESERVES

	31 December 2005 *HK$'000*	31 December 2004 *HK$'000* (Restated)
Share premium account:		
At beginning of year	**1,209,593**	1,209,593
Premium, net of expense, arising on share options exercised	**154,586**	–
At end of year	**1,364,179**	1,209,593
Capital redemption reserve	**829**	829
Contributed surplus	**96,116**	96,116
Capital and translation reserve:		
At beginning of year	**85,997**	85,997
Opening adjustments upon adoption of HKASs	**(85,997)**	–
At end of year	**–**	85,997
Available-for-sale investment revaluation reserve:		
At beginning of year	**16,481**	13,302
Movement in the market value	**9,137**	3,179
At end of year	**25,618**	16,481
Employee share-based compensation reserve	**45,765**	–
Regulatory reserve:		
At beginning of year	**–**	–
Opening adjustments upon adoption of HKASs and transfer from retained profits	**75,686**	–
Transfer from retained profits	**9,714**	–
At end of year	**85,400**	–
Retained profits:		
At beginning of year		
As previously reported	**683,488**	1,827,668
Prior year adjustments upon adoption of HKASs	**3,257**	3,257
As restated before opening adjustments upon adoption of new accounting standards	**686,745**	1,830,925
Opening adjustments upon adoption of HKASs	**126,221**	–
As restated	**812,966**	1,830,925
Profit for the year	**446,297**	412,889
Dividend paid/declared on shares	**(546,948)**	(1,557,069)
Transfer to regulatory reserve	**(9,714)**	–
At end of year	**702,601**	686,745
	2,320,508	2,095,761

* *Note:* The prior year adjustments and opening adjustments are detailed in note 2 to the financial statements following the adoption of HKFRSs and HKASs.

12. 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:

	31 December 2005 *HK$'000*	31 December 2004 *HK$'000*
Within one year	**7,312**	6,341
In the second to fifth years, inclusive	**3,418**	5,516
	10,730	11,857

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

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

	31 December 2005 *HK$'000*	31 December 2004 *HK$'000*
Within one year	**16,172**	15,134
In the second to fifth years, inclusive	**11,461**	4,776
	27,633	19,910

13. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Commitments

	31 December 2005		31 December 2004	
	Contractual amount *HK$'000*	**Risk weighted amount** *HK$'000*	Contractual amount *HK$'000*	Risk weighted amount *HK$'000*
Capital commitments contracted for, but not provided in the financial statements	**1,603**	**1,603**	330	330
Undrawn loan facilities with an original maturity of under one year or which are unconditionally cancellable	**773**	**–**	1,483	–
	2,376	**1,603**	1,813	330

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

(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.

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

(i) Amendments to HKAS 1 "Presentation of Financial Statements: Capital Disclosures" (effective for accounting period beginning on or after 1 January 2007)

(ii) 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.

15. 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.

16. COMPARATIVE FIGURES

Due to the adoption of new HKFRSs and HKASs for the current year, the accounting treatment and presentation of certain items on the financial statements have been revised to comply with the new requirements. Accordingly, certain figures have been adjusted to reserves in prior year. Also, certain comparative figures have been reclassified to conform with the current year's presentation. The material reclassification was the presentation of other receivables under loan and advances and receivables instead of under other debtors as at 31 December 2004 due to more appropriate presentation in the opinion of management.

SUPPLEMENTARY INFORMATION (UNAUDITED)

Segmental information

(a) By business segments

	Year ended 31 December 2005		31 December 2005
	Operating income	**Profit before tax**	**Total assets**
	HK$'000	***HK$'000***	***HK$'000***
Personal and commercial lending	**884,810**	**491,834**	**4,201,485**
Taxi trading and related operations, and other businesses	**16,154**	**38,055**	**258,957**
Inter-segment transactions	**(737)**	**–**	**–**
	900,227	**529,889**	**4,460,442**
Intangible asset	**–**	**–**	**126**
Other unallocated assets	**–**	**–**	**2,854**
	900,227	**529,889**	**4,463,422**

	Year ended 31 December 2004		31 December 2004
	Operating income	Profit before tax	Total assets
	HK$'000	*HK$'000*	*HK$'000* (Restated)
Personal and commercial lending	864,952	458,495	4,193,521
Taxi trading and related operations, and other businesses	24,126	16,218	134,964
Inter-segment transactions	(7,879)	–	–
	881,199	474,713	4,328,485
Amortisation of negative goodwill and intangible asset	–	18,407	–
Unallocated revenue	18,433	–	–
Gain on disposal of a subsidiary	46	46	–
Intangible asset	–	–	126
Negative goodwill	–	–	(55,297)
Other unallocated assets	–	–	20,365
	899,678	493,166	4,293,679

(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.

(c) Advances to customers by industry sectors and basis of classification

	Gross advances to customers	
	31 December 2005	31 December 2004
	HK$'000	*HK$'000*
Loans for use in Hong Kong		
Industrial, commercial and financial:		
Property investment	**56,674**	58,442
Wholesale and retail trade	**–**	93
Manufacturing	**1,602**	1,713
Licensed public vehicles	**516,024**	446,482
Individuals:		
Loans for the purchase of residential properties	**19,927**	27,448
Others	**2,911,121**	2,635,596
Loans for use outside Hong Kong	**78,452**	79,952
	3,583,800	3,249,726

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

Capital adequacy and liquidity ratios of JCG Finance Company, Limited ("JCG Finance")

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

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

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

COMPLIANCE WITH SUPERVISORY POLICY MANUALS

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

CORPORATE GOVERNANCE

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting year covered by the 2005 Annual Report, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules except for the deviations in respect of the service term and rotation of directors under code provisions A.4.1 and A.4.2 of the Listing Rules.

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

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

DIVIDENDS

The second interim dividend of HK$0.40 (2004: HK$0.40) per ordinary share was declared on 30 December 2005 and will be payable on 21 February 2006 to shareholders of the Company whose names appear on the register of members on 8 February 2006. The directors do not recommend the payment of a final dividend (2004: Nil). Together with the first interim dividend of HK$0.06 (2004: HK$0.05) per ordinary share and the special dividend of HK$0.29 (2004: 1.75) per ordinary share, the total dividends per share for the year is HK$0.75 (2004: HK$2.20).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 2 March 2006 to 8 March 2006, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 1 March 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Business and corporate development

In 2005, Hong Kong's economy recorded stronger GDP growth of 8.1% at the end of September 2005, and the unemployment rate fell to 5.3% at the end of November 2005. With the economy improving further, consumer sentiment and confidence picked up momentum generally.

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

Segmental information

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

Financial Review

Financial analysis

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

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

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

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

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

Contingent liabilities and commitments

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

Operational Review

Funding and capital management

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

The Group relied principally on its internally generated capital and customer deposits to fund its personal and commercial lending, taxi trading and other businesses. The principal source of internally generated capital is from retained profits. The average liquidity ratio of JCG Finance, a wholly-owned subsidiary of the Company, stood high at 72.45% during the year. The Group paid the first interim dividend together with the special dividend in total of HK$255.2 million on 30 September 2005, and declared the second interim dividend of HK$291.7 million on 30 December 2005. The second interim dividend will be payable on 21 February 2006. The total dividend of the Group amounted to HK$546.9 million in 2005.

Asset quality and capital adequacy

The impaired loan ratio of the Group was maintained at 5.8% as at 31 December 2005, which was the same as at last year end. The consolidated capital adequacy ratio of JCG Finance decreased slightly to 38.52% at the end of December 2005 when compared to 38.69% at the end of December 2004.

Human resources management

The objectives of the Group's human resources management are to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group. Staff have enrolled in external training courses, seminars, professional and technical courses with appropriate sponsorship from the Group in order to update their technical knowledge and skills, to increase their awareness of the market and technological changes, and to improve their business acumen. Staff are also encouraged to participate in social activities organised by the Group to promote team spirit and build a cohesive workforce.

To further retain, motivate and enhance staff morale, the Company granted 66,526,000 share options to the employees of the Group in May 2005 pursuant to the Share Option Scheme approved by the shareholders on 28 February 2002. As at the end of December 2005, the Group had a staff force of about 460 people. For the year ended 31 December 2005, the Group's staff costs, including the share option benefits expense of HK$45.8 million, amounted to HK$138.4 million.

Prospects

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

To face such competition and challenges, the Group will focus on selected market segments to expand its customer base and market share in consumer loans through aggressive marketing and promotional activities. The Group will continue to emphasise on training a skilled workforce so as to improve their marketing skills and strengthen the quality of customer service. The Group will continue to relocate its branches to more prominent positions for ease of accessibility by customers, and to open new branches where feasible. With a strong corporate governance in place, a dedicated workforce providing excellent customer service, and aggressive marketing, the Group is poised to further grow its consumer financing business in 2006 barring any unforeseen circumstances. Nevertheless, the Group will further strengthen its credit risk management and applies stringent credit criteria for loan assessments to ensure good asset quality.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

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

REVIEW BY AUDIT COMMITTEE

The 2005 annual results have been reviewed by the Company's Audit Committee which comprises three Independent Non-executive Directors and one Non-executive Director.

By Order of the Board
Tan Sri Dato' Sri Dr. Teh Hong Piow
Chairman

Hong Kong, 11 January 2006

As at the date of this announcement, the Board of Directors of the Company comprises Tan Sri Dato' Sri Dr. Teh Hong Piow, Dato' Sri Tay Ah Lek, Dato' Chang Kat Kiam and Mr. Wong Kong Ming as Non-executive Directors, Mr. Tan Yoke Kong and Mr. Lee Huat Oon as Executive Directors, and Dato' Yeoh Chin Kee, Mr. Geh Cheng Hooi, Paul and Mr. Lee Chin Guan as Independent Non-executive Directors.

* *for identification purpose only*

"Please also refer to the published version of this announcement in China Daily"