



JCG HOLDINGS LIMITED

Annual Report 1999



Corporate Information

Board of Directors

Chairman

YBhg Tan Sri Dato' Dr. Teh Hong Piow
President and Chief Executive Officer
Public Bank Berhad

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

Independent non-executive directors

Cheah Cheng Hye
Geh Cheng Hooi, Paul

Joint Secretaries

Tan Yoke Kong
Chan Sau Kuen

Registered Office

Clarendon House
Church Street
Hamilton HM11
Bermuda

Head Office

1105-7 Wing On House
71 Des Voeux Road
Central
Hong Kong

Principal Registrar

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch Registrar

Tengis Limited
1601 Hutchison House
10 Harcourt Road
Hong Kong

Auditors

Ernst & Young
Certified Public Accountants

Legal Advisers

P.C. Woo & Co
Richards Butler

Principal Bankers

Bank of China
Bank of East Asia
Citibank N.A.
Citic Ka Wah Bank
Kincheng Banking Corporation
Public Bank (L) Ltd
Standard Chartered Bank
The Bank of Nova Scotia
The Development Bank of Singapore Limited
The Hongkong and Shanghai Banking
Corporation Limited
United Overseas Bank



Forbes' list of the World's 300 Best Small Companies

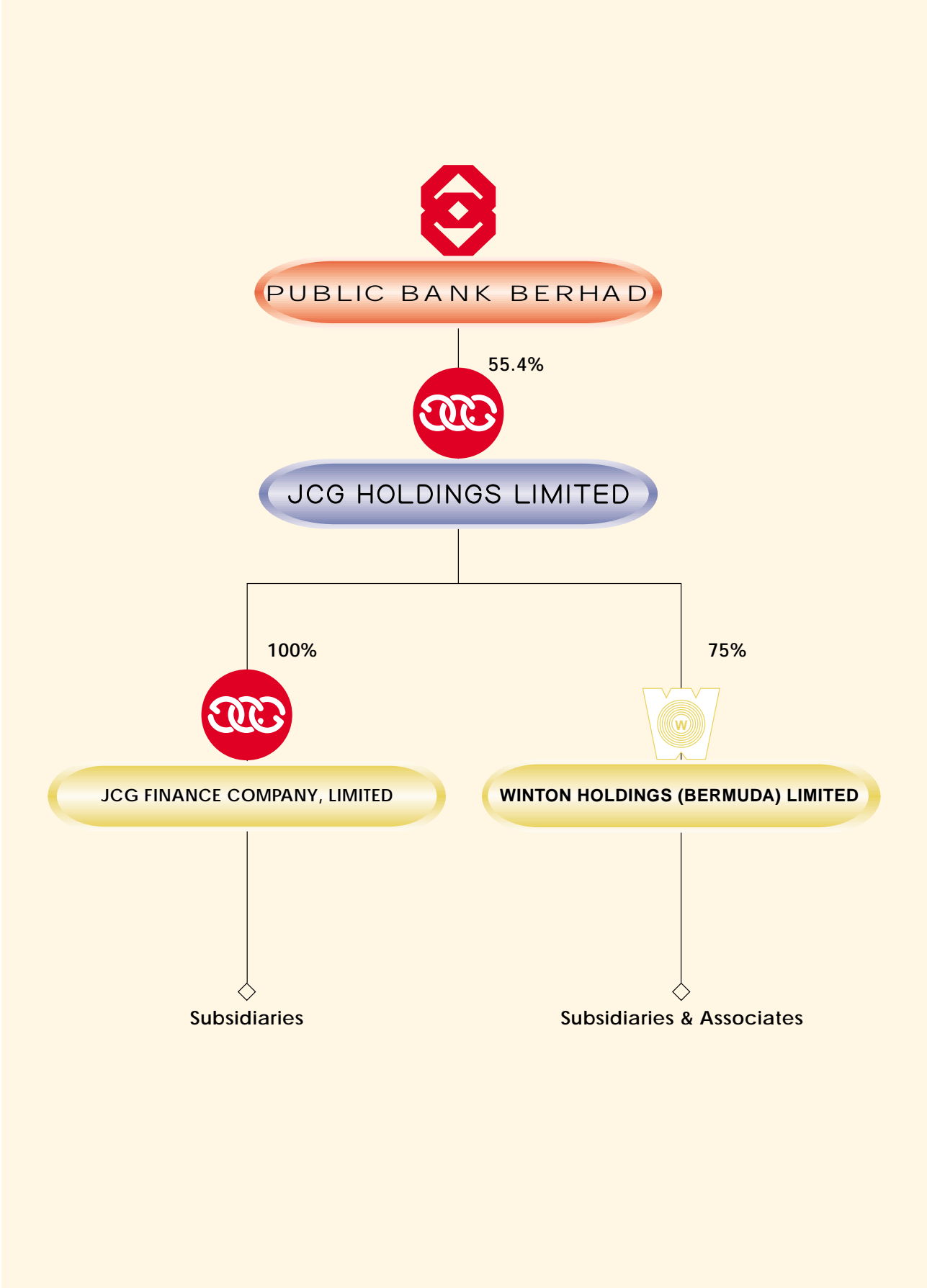
".....to produce this list, we screened over 17,500 publicly-traded companies..... The odds of making our list are roughly equal to the chances an American actor has of winning a Hollywood Oscar."

quoted from Editor of Forbes,
Mr. Lawrence Minard

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JCG Holdings Limited - Group Structure



Achievements of our Parent Bank in 1999



JCG Finance Company, Limited - Branch Network



HONG KONG ISLAND

- 1 **Main Office**
Room 1907, Gloucester Tower
The Landmark, Central
Tel: 25266415 Fax: 28779088
Manager: Paul Wong Chun Pui
- 2 **Central Branch**
Rooms 1109-10 Wing On House
71 Des Voeux Road Central
Tel: 25248676 Fax: 28779084
Manager: Jimmy Wong Kai Ip
- 3 **Wanchai Branch**
G/F, 170 Hennessy Road
Tel: 25746245 Fax: 28936653
Manager: Ringo Cheng Man Kwong
- 4 **Tin Lok Lane Branch**
G/F, Yan Shing Mansion
29 Morrison Hill Road
Tel: 28917028 Fax: 28933769
Manager: Alex Leung Cheuk Kwan
- 5 **Causeway Bay Branch**
1/F, Coasia Building
496-498 Lockhart Road
Tel: 28936575 Fax: 28932770
Manager: Tong Woon Shing
- 6 **North Point Branch**
Shop B, No. 1, G/F
On Ning Building
425-431 King's Road
Tel: 25610160 Fax: 28563647
Manager: Arthur Ng Siu Kwan
- 7 **Shaukeiwan Branch**
G/F, 134 Shaukeiwan Road
Tel: 25670461 Fax: 28858501
Manager: Li Wai Yin
- 8 **Kennedy Town Branch**
G/F, 590 Queen's Road West
Tel: 28176125 Fax: 28177618
Manager: Kam Ying Wah
- 9 **Western District Branch**
G/F, 260 Des Voeux Road West
Tel: 25479148 Fax: 25461142
Manager: Denise Ho Mei Yu
- 10 **Aberdeen Branch**
Shop A, G/F, Kong Kai Building
184-188 Aberdeen Main Road
Tel: 25538231 Fax: 25543897
Manager: Daniel Louie Kin Cheong
- 11 **Chai Wan Branch**
G/F, Flat B, 77 Walton Estate
341-343 Chai Wan Road
Tel: 25578003 Fax: 25574088
Manager: Jeffery Chan Siu Sung
- 12 **Quarry Bay Branch**
G/F, 14 Hoi Kwong Street
Tel: 25166368 Fax: 25790084
Manager: Victor Cheung Wa Wai

KOWLOON

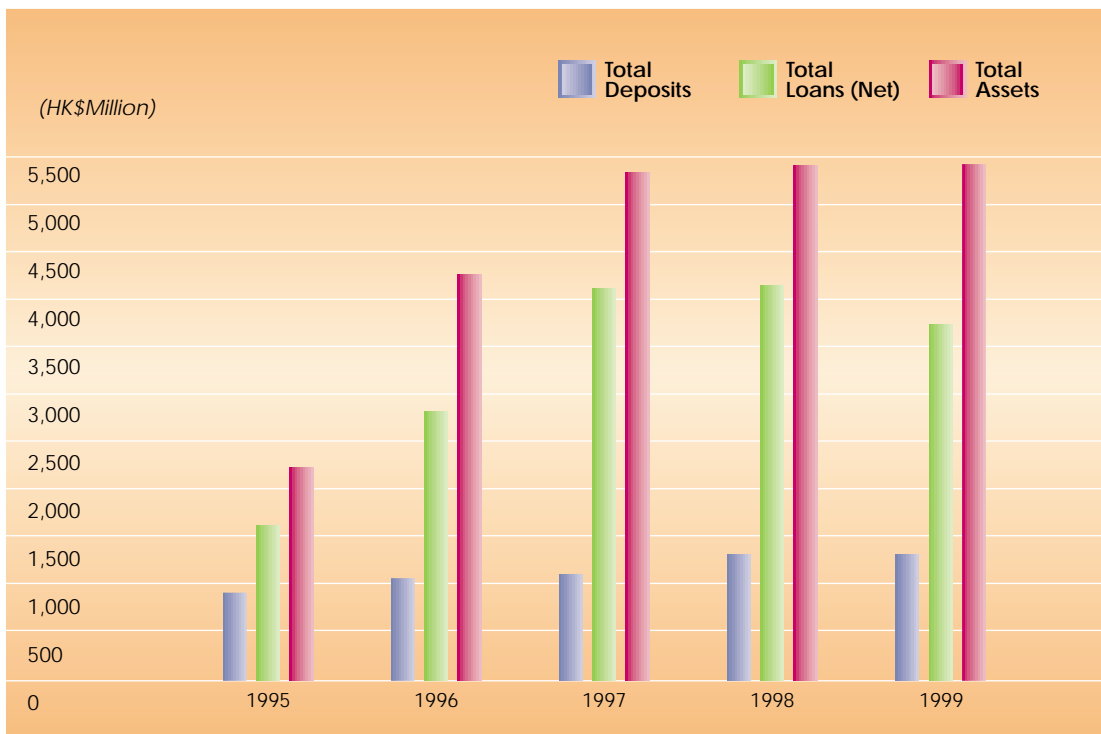
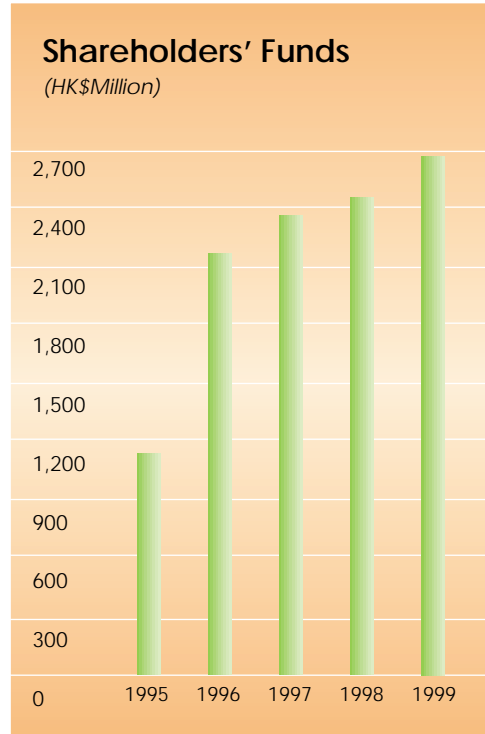
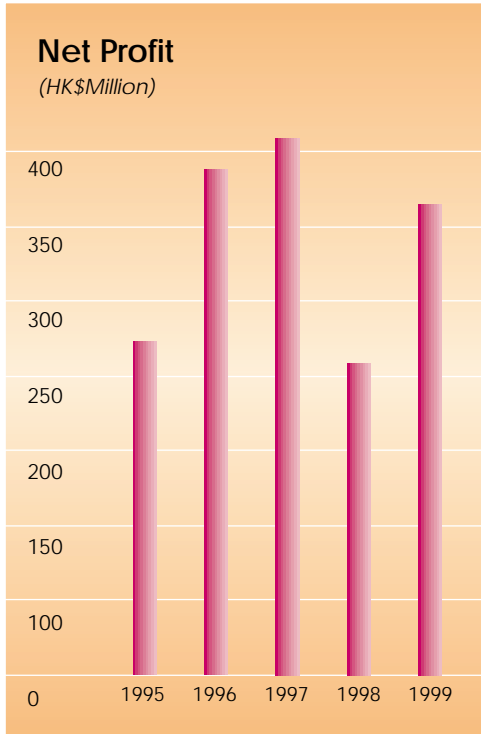
- 13 **Star House Branch**
Basement, Shop B9 & B10
Star House Plaza, TST
Tel: 27308395 Fax: 27302346
Manager: Wilson Wu Kin Sang
- 14 **Tsimshatsui Branch**
Shop 106-107, 1/F, Toyo Mall
94 Granville Road, TST East
Tel: 23693236 Fax: 23110433
Manager: Ben Chui Jit Fung
- 15 **Yaumati Branch**
Shop B, G/F, Dao Hing Building
34, Jordan Road
Tel: 27364711 Fax: 23148432
Manager: Solomon Leung Kwok Chung
- 16 **Nathan Road Branch**
G/F, No. 480 Nathan Road
Tel: 27715285 Fax: 27704127
Manager: Taylor Kan Yuk Lun
- 17 **Mongkok Branch**
G/F, JCG Building, 16 Mongkok Road
Tel: 23940253 Fax: 27875630
Manager: Danny Poon Wai Chung
- 18 **Shamshuiipo Branch**
G/F, Shop B, Wing Sing Building
27 Castle Peak Road
Tel: 27282347 Fax: 27299685
Manager: Peter Chan Chiu Ming
- 19 **Castle Peak Road Branch**
G/F, 442B Castle Peak Road
Tel: 27445416 Fax: 27853634
Manager: Ethan Man Wing Sun
- 20 **Hungghom Branch**
G/F, 130 Ma Tau Wai Road
Tel: 23344307 Fax: 27644876
Manager: Danny Lai Chung Wai
- 21 **Sanpokong Branch**
G/F, 92 Shung Ling Street
Tel: 23283175 Fax: 23254504
Manager: Ivan Lau Kan So
- 22 **Kowloon City Branch**
G/F, 31 Lion Rock Road
Tel: 23824893 Fax: 27164819
Manager: Ann Mary Lo Yuen Yee
- 23 **Tokwawan Branch**
Shop 9 & 10, G/F, Chong Chien Court
355 Tokwawan Road
Tel: 23657061 Fax: 27642832
Manager: Raymond Law Cho Fat
- 24 **Kwun Tong Branch**
G/F, Nos. 13-15
Luen On Street
Tel: 23440264 Fax: 27635427
Manager: Horace Ng Pak Hung
- 25 **Wong Tai Sin Branch**
G/F, 89 Fung Tak Road
Tel: 23205112 Fax: 27260106
Manager: Ho Sau Yan
- 26 **Prince Edward Branch**
G/F, 751 Nathan Road
Tel: 23803260 Fax: 23804100
Manager: Evans Lam Kwan Chee
- 27 **Ngau Tau Kok Branch**
Shop 29, G/F, Wang Kwong Building
33, Ngau Tau Kok Road
Tel: 27578299 Fax: 27578737
Manager: Joe Li Kit Shing
- 28 **Kowloon Bay Branch**
Unit 2B, G/F, Fook Hong Industrial Building
19 Sheung Yuet Road
Tel: 27567320 Fax: 27585706
Manager: Danny Chow Koon Ping

NEW TERRITORIES

- 29 **Kwai Chung Branch**
Shop 301, 3/F
Kwai Chung Plaza
Tel: 24200121 Fax: 24850590
Manager: Michael Yuen Chak Sang
- 30 **Tsuen Wan Branch**
G/F, 232 Sha Tsui Road
Tel: 24934187 Fax: 24174497
Manager: Leung Chiu Kwong
- 31 **Tuen Mun Branch**
G/F, Shop 7, Mei Hang Building
Kai Man Path, Sun Hui
Tel: 24572901 Fax: 24402503
Manager: Ricky Cheng Ho Fat
- 32 **Yuen Long Branch**
G/F, 212 Main Road
Tel: 24762146 Fax: 24759903
Manager: Eric Lee Man Fai
- 33 **Tai Po Branch**
G/F, 86 Kwong Fuk Road
Tel: 26565207 Fax: 26577019
Manager: Eric Leung Kwok Fai
- 34 **Shatin Branch**
Shop 10A, 11A & B
Lucky Plaza Commercial Centre
Tel: 26995633 Fax: 26914588
Manager: Dennis Law Shue Sum
- 35 **Sheung Shui Branch**
G/F, 99 San Fung Avenue
Tel: 26732729 Fax: 26739278
Manager: Ho Kam Ming
- 36 **Tai Wai Branch**
Shop 2C, G/F
11-13 Chik Fai Street
Tel: 26092611 Fax: 26094088
Manager: Raymond Yuen Chuk Kwan
- 37 **Nan Fung Centre Branch**
Rm 1523 Nan Fung Centre
264-298 Castle Peak Road
Tsuen Wan
Tel: 24141198 Fax: 24131624
Manager: Tony Tong Ka Ling

Five Year Financial Summary

31 December 1999



1999 FINANCIAL HIGHLIGHTS

Net profit:	HK\$365m	+43.6%
Loans and advances (net):	HK\$3,757m	-10.0%
Total deposits:	HK\$1,304m	-0.9%
Shareholders' funds:	HK\$2,669m	+9.2%
Earnings per share:	51.7 cents	+43.6%
Total dividends per share:	20.0 cents	–
(Final dividend: 12.5 cents)		

A summary of the results and of the assets and liabilities of JCG Holdings Limited (the "Company") and its subsidiaries (the "Group") for the last five financial years, as extracted from the audited financial statements, is set out below. The financial information of Winton Holdings (Bermuda) Limited ("Winton") and its subsidiaries (the "Winton Group") has been consolidated since its acquisition in 1996.

	Year ended 31 December				
	1999	1998	1997	1996	1995
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loans and advances (net)	3,756,770	4,173,000	4,118,667	2,825,344	1,615,633
Other assets	1,657,938	1,157,624	1,166,702	1,477,025	656,889
Total assets	5,414,708	5,330,624	5,285,369	4,302,369	2,272,522
Customer deposits	1,304,381	1,003,364	818,122	814,099	801,977
Deposits from a financial institution	–	313,029	309,263	257,605	158,917
Other liabilities	1,268,760	1,380,370	1,596,507	859,617	192,245
Total liabilities	2,573,141	2,696,763	2,723,892	1,931,321	1,153,139
Net assets	2,841,567	2,633,861	2,561,477	2,371,048	1,119,383
Shareholders' funds	2,668,994	2,444,870	2,332,903	2,146,864	1,119,383
Minority interests	172,573	188,991	228,574	224,184	–
Total capital resources	2,841,567	2,633,861	2,561,477	2,371,048	1,119,383
Net profit attributable to shareholders	365,338	254,338	416,328	391,828	273,129
Basic earnings per share (cents)	51.7	36.0	58.3	54.8	47.1



I am pleased to present a review of the results of the Group for the financial year ended 31 December 1999.

GROUP PERFORMANCE

JCG Holdings Limited (the "Company") and its subsidiaries (the "Group") achieved a profit after tax and minority interests of HK\$365.3 million for the year ended 31 December 1999 to register an increase of HK\$111.0 million or 43.6% when compared with the corresponding period in 1998. Accordingly, the Group's earnings per share increased from 36.0 cents per share in 1998 to 51.7 cents per share in 1999.

The strong rebound in earnings of the Group was achieved through an increase of 13.2% in profit after tax from its wholly owned subsidiary, JCG Finance Company, Limited ("JCG Finance") and a lower loss after tax from its 75% owned

subsidiary, Winton Holdings (Bermuda) Limited ("Winton") and its subsidiaries ("Winton Group"). For the year ended 31 December 1999, Winton Group significantly reduced its loss after tax and minority interests by HK\$88.5 million or 57.4% to HK\$65.6 million as compared to a loss of HK\$154.1 million in 1998.

The Group continued to adopt a prudent and conservative provisioning policy for its bad and doubtful debts. As a result of the positive measures taken by Winton Group together with its co-financing banks in restructuring the repayment schedules of taxi financing loans, the Group's net charge for bad and doubtful debts arising from general and specific provisions fell significantly by HK\$77.2 million or 22.4% from HK\$344.9 million in 1998 to HK\$267.7 million in 1999. Winton Group's net charge for bad and doubtful debts arising from defaults in taxi financing loans fell by HK\$89.9 million from HK\$198.5 million in 1998 to HK\$108.6 million in 1999.

In 1999, the Group also benefited from the lower market interest rates in Hong Kong. The Group's savings on interest expense from lower cost of customer deposits and bank borrowings was HK\$55.2 million, a decrease of 23.2% from HK\$237.9 million in 1998 to HK\$182.7 million in 1999.

During the period under review, the Group's other operating income increased by HK\$20.7 million or 11.9% to HK\$195.1 million from HK\$174.4 million in 1998. The increase in other operating income was contributed by increase in loan processing and related fees from JCG Finance, and increase in net profits from taxi trading and related operations and other income from Winton Group.

GROUP PERFORMANCE (Cont'd)

In 1999, the Group's operating expenses was further reduced by HK\$51.9 million or 18.1% to HK\$234.3 million from HK\$286.2 million in 1998, mainly from lower deficit on revaluation of the Group's investment properties by HK\$40.1 million and decline in amortisation and write off of commission expenses by HK\$5.2 million. The Group's operating expenses excluding deficit on revaluation of the Group's investment properties decreased by 4.9% in 1999 over that in 1998.

Amidst a gradual recovery of Hong Kong's economy and high unemployment rate in Hong Kong, the Group continued to adopt a stringent lending policy throughout 1999 whilst focusing on selected market segments to grow its core consumer loans. After taking into account bad debts written off of HK\$374.6 million in 1999, out of which HK\$223.4 million was related to taxi financing loans, the Group's gross loans and advances contracted by HK\$519.2 million or 11.2% to HK\$4,112.1 million as at 31 December 1999 from HK\$4,631.3 million as at 31 December 1998. The Group's core consumer loan outstanding as at the end of 1999 net of write offs in December 1999 was relatively unchanged from that as at the end of 1998. The decline in the Group's loans and advances was also attributed to lesser new loans booked under property mortgage loans, hire purchase loans and taxi financing loans.

As the Group's loans and advances contracted in 1999, demand for funding also fell. Consequently, the Group's customer deposits and deposits from a financial institution, decreased by HK\$12.0 million or 0.9% to HK\$1,304.4 million and bank borrowings decreased by HK\$105.6 million or 9.7% to HK\$979.2 million at end of 1999.

As at 31 December 1999, the Group's shareholders' funds strengthened by HK\$224.1 million or 9.2% to HK\$2,669.0 million resulting from increase in retained earnings.

The Company was ranked among the world's 300 best small companies by Forbes Global magazine in its November 1999 issue and the Group is proud to be associated with this recognition.

BUSINESS DEVELOPMENT

In 1999, the Group continued to adopt a prudent and stringent lending policy as recovery in Hong Kong's economy was slow and unemployment rate remained high. As operating conditions remained difficult, the Group continued to target selected market segments to grow its core consumer loans. To improve customer service and meet customers' needs, the Group periodically extended its business hours at selected branches of JCG Finance.

The property market remained subdued in 1999, and JCG Finance took the opportunity to purchase a branch premises for relocation of one of its existing branches to improve visibility and convenience to customers.

On 28 December 1999, Winton announced to raise additional funds through the issue of 924,000,000 convertible preference shares of HK\$0.10 each at the subscription price of HK\$0.33 per share in the proportion of eleven convertible preference shares for every five ordinary shares held ("Open Offer"). The net proceeds of approximately HK\$303.0 million from the fund raising exercise would be applied as general working capital of Winton Group. The Company has irrevocably undertaken to accept its entitlement to the convertible preference shares, and at the same time agreed to underwrite the Open Offer.

Chairman's Statement

HUMAN RESOURCES DEVELOPMENT

The Group recognised the importance of quality service to its customers and continued to emphasise on human resources development and staff training. In 1999, the Group held management seminars, and provided staff training and development programs to enhance the technical skills and managerial skills of its staff. The Group also organised social activities and staff integration programs to foster and improve team spirit and moral amongst its staff. With a well-trained, dedicated and cohesive workforce, the Group is well poised to meet the challenges ahead.

SYSTEM DEVELOPMENT

The Group was Year 2000 Compliant following the completion of its Year 2000 Compliance project and the implementation of a contingency plan. During the transition from 31 December 1999 to 1 January 2000, the computer systems of the Group functioned smoothly without encountering any abnormality relating to the Year 2000 Problem.

In 1999, the Group acquired a back up computer system, implemented a new taxi hire purchase and personal loan system and enhanced its application systems to meet the changing needs and demands for quality services from its customers.

PROSPECTS

As Hong Kong's economy recovers gradually, consumer confidence is set to improve and so is the unemployment situation in Hong Kong and prospects for business. Whilst market conditions remained challenging, the Group will continue to adopt a prudent and stringent lending policy.

The Group will continue to focus on growing its core consumer loans by targeting selective market segments through more aggressive advertising and promotions. With a dedicated and cohesive staff force, JCG Finance is well prepared to meet the anticipated upturn in demand for loans as the Hong Kong economy continues to expand.

The weak property market will also provide opportunities for the Group to expand its branch network, and to relocate its existing branches to better premises to improve branch visibility and accessibility to customers.

As market conditions for taxi financing have stabilised and are set to improve, the prospects for taxi financing and taxi trading activities are positive. The Group is well poised to take on the opportunities that may arise from taxi financing and taxi trading businesses.

ACKNOWLEDGMENT

On behalf of the board of directors, I wish to take this opportunity to express our appreciation to the management and staff of the Group for their dedication and commitment. On behalf of the management and staff of the Group, I also wish to express my sincere thanks to the customers for their invaluable patronage and the shareholders for their continued confidence and support to the Group.

Tan Sri Dato' Dr. Teh Hong Piow

Chairman

Management Discussion and Analysis

In 1999, Hong Kong's economy remained weak, unemployment rate remained at above 6% and competition for loan business was intense amongst financial institutions in Hong Kong. Despite such difficult operating environment, the Group achieved a strong rebound in net profit attributable to shareholders by 43.6% to HK\$365.3 million for the year ended 31 December 1999.

The sharp rebound in profit after tax of the Group in 1999 was mainly contributed by its wholly owned subsidiary, JCG Finance Company, Limited ("JCG Finance") which recorded a 13.2% increase in profit after tax, and a significant reduction in loss after tax by 57.4% to HK\$65.6 million from its 75% owned subsidiary, Winton Holdings (Bermuda) Limited ("Winton") and its subsidiaries ("Winton Group").

For the period under review, JCG Finance remained focused on its core business in the provision of consumer loans to working individuals in Hong Kong, property mortgage loans to purchasers of small and old properties and the taking of customer deposits, whilst Winton Group continued to consolidate its taxi financing and taxi trading businesses.

KEY FINANCIAL HIGHLIGHTS

The Group achieved a strong rebound in profit after tax to HK\$365.3 million for the year ended 31 December 1999, representing an increase of HK\$111.0 million or 43.6% over the previous year ended 31 December 1998. Accordingly, the Group's earnings per share increased by 15.7 cents per share to 51.7 cents per share.

The sharp increase in the Group's profit after tax in 1999 was mainly attributed to decrease in provisions for bad and doubtful debts by HK\$77.2 million from lower defaults in taxi financing loans; reduction in interest expense by HK\$55.2 million from customer deposits and bank borrowings; increase in other operating income by HK\$20.7 million from increase in handling charges and loan related fees, trading profits from taxi trading and related operations; and decrease in operating expenses by HK\$51.9 million from lower deficit on revaluation of investment properties and amortisation and write off of commission expenses.

As at 31 December 1999, the Group's total gross loans and advances declined by HK\$519.2 million or 11.2% to HK\$4,112.1 million mainly due to the write offs of bad and doubtful debts by HK\$374.6 million, early settlements and regular loan repayment. For the period under review, Winton Group wrote off HK\$223.4 million of defaulted taxi financing loans, and total loans and advances of Winton Group declined by 22.5% to HK\$1,277.8 million at end of 1999. JCG Finance's total loans and advances net of write off declined marginally by 4.8% to HK\$2,839.3 million with its core business in consumer lending remained relatively flat at the end of 1999 when compared to end of 1998.

For the year ended 31 December 1999, the directors recommended the payment of a final dividend of 12.5 cents per share. Together with the interim dividend of 7.5 cents per share already paid, the total dividends for the year amounted to 20.0 cents per share.

PERFORMANCE OF BUSINESS OPERATIONS

Operating Income

The Group's principal source of income, net interest income, accounted for over 79.2% of operating income. Interest income of the Group decreased marginally by 3.4% or HK\$32.2 million to HK\$923.9 million in 1999 from HK\$956.1 million in 1998. During the year, interest income of JCG Finance grew marginally by 3.5%. However, the decline in interest income of Winton Group by 25.9% caused the Group's interest income to contract. The decrease in interest income of Winton Group was mainly attributed to the decline in taxi financing loans by 22.5% or HK\$371.3 million to HK\$1,277.8 million in 1999, and fewer number of new taxi financing loans booked in 1999 as Winton Group continued to be cautious in its taxi financing business.

The Group's other operating income, which grew by 11.9% or HK\$20.7 million to HK\$195.1 million in 1999 from HK\$174.4 million in 1998, was contributed mainly from loan processing and related fees of HK\$169.3 million, net profits from taxi trading and related operations of HK\$8.2 million and compensation received relating to one of the former restaurants of HK\$7.1 million.

Management Discussion and Analysis

PERFORMANCE OF BUSINESS OPERATIONS (Cont'd)

Operating Expenses

Interest expense of the Group decreased significantly by 23.2% or HK\$55.2 million to HK\$182.7 million in 1999. The savings in interest expense was mainly from lower interest costs and decrease in bank borrowings from Winton Group and competitive interest rates offered for customer deposits by JCG Finance. Winton Group's total bank borrowings and JCG Finance's deposits from customers and a financial institution fell by HK\$105.6 million and HK\$12.0 million respectively, to HK\$979.2 million and HK\$1,304.4 million respectively at end of 1999.

Operating expenses of the Group decreased by 18.1% or HK\$51.9 million to HK\$234.3 million in 1999. The decline in operating expenses was mainly due to lower deficit on revaluation of the Group's investment properties by HK\$40.1 million and the decline in amortisation and write off of commission expenses by HK\$5.2 million as a result of lower volume of taxi financing business. During the year, the Group continued to be stringent in costs control.

Provisions for Bad and Doubtful Debts

The Group's net charge arising from provisions for bad and doubtful debts and from bad debts written off improved by 22.4% or HK\$77.2 million to HK\$267.7 million in 1999. The improvement was mainly due to lower defaults in taxi financing loans as repayment schedules of the hirers were restructured, and taxi licence prices and earnings of taxi hirers were stabilised in 1999. As a result, Winton Group's provisions for bad and doubtful debts decreased by 45.3% or HK\$89.9 million to HK\$108.6 million in 1999 when compared to the year 1998.

BALANCE SHEET ANALYSIS

Loans and Advances

The Group's gross loans and advances decreased by 11.2% or HK\$519.2 million to HK\$4,112.1 million in 1999 from HK\$4,631.3 million in 1998 following write offs of bad and doubtful debts of HK\$374.6 million.

At the end of 1999, after write off of bad and doubtful debts, JCG Finance's gross loans and advances decreased by 4.8% or HK\$142.9 million to HK\$2,839.3 million while that of Winton Group decreased by 22.5% or HK\$371.3 million to HK\$1,277.8 million after the write off of HK\$223.4 million in defaulted taxi financing loans.

At the end of 1999, the Group's loans and advances which were overdue more than three months amounted to HK\$241.5 million or 5.9% of the total loans and advances, as compared to HK\$285.3 million or 6.2% at end of 1998. The above loans and advances included property mortgage loans of HK\$149.8 million which were overdue more than one year, and specific provisions of HK\$52.4 million have been made against these loans.

Funding and Capital Financing

During the year, JCG Finance relied principally on its internally generated capital and on deposits from customers and a financial institution to fund its business. As loans and advances declined, demand for funding fell, and total deposits from customers and a financial institution of JCG Finance decreased accordingly by 0.9% or HK\$12.0 million to HK\$1,304.4 million from HK\$1,316.4 million in 1998.

At the end of 1999, JCG Finance's adjusted capital adequacy ratio, computed on a combined basis in accordance with the Guideline on "Maintenance of Adequate Capital Against Market Risks" issued by the Hong Kong Monetary Authority, increased to 62.8% mainly from increase in retained earnings.

Winton Group continued to rely on both its internal capital as well as bank borrowings and overdrafts for its working capital. As at 31 December 1999, Winton Group's shareholders' funds, and bank borrowings and overdrafts stood at HK\$690.3 million and HK\$979.2 million, respectively.

BALANCE SHEET ANALYSIS (Cont'd)

Funding and Capital Financing (Cont'd)

On 28 December 1999, Winton has announced to raise additional funds through the issue of 924,000,000 convertible preference shares at HK\$0.10 each at a subscription price of HK\$0.33 per share in the proportion of eleven convertible preference shares for every five ordinary shares held ("Open Offer"). The net proceeds of approximately HK\$303.0 million are intended to be applied as general working capital of Winton Group. The Company has irrevocably undertaken to accept its entitlement to the convertible preference shares, and at the same time agreed to underwrite the Open Offer.

In determining dividend payments, the board of directors considered the need to reward the shareholders with dividend income and the need to retain funds for future business expansion and investments. For the year ended 31 December 1999, the directors recommended the payment of a final dividend of 12.5 cents per share. Together with the interim dividend of 7.5 cents per share already paid, the total dividends for the year amounted to 20.0 cents per share.

BUSINESS DEVELOPMENT AND EXPANSION

During the year, the Group's performance was restrained by the weak Hong Kong economy and high unemployment in Hong Kong. As conditions remained difficult, the Group continued to adopt a prudent and stringent lending policy to grow its loans and advances. The Group will remained focus on its niche markets to grow its loans and advances.

JCG Finance will continue to focus on its consumer loans by targeting selected market segments. As the property market remained weak, JCG Finance took the opportunity to purchase a branch premises for relocation of its existing branch to improve branch visibility and convenience to customers. In the coming year, JCG Finance will take the opportunity to capitalise on the weak property market and seek new locations to relocate or expand its branch network.

As market conditions for taxi financing have stabilised and are set to improve, the prospects for taxi financing and taxi trading activities are positive. The Group is well prepared to take on any opportunities that may arise from taxi financing and taxi trading businesses. Nevertheless, the Group will continue to adopt a stringent lending policy on its taxi financing loans whilst continuing to restructure the repayment schedules of its existing hirers.

HUMAN RESOURCES

The Group continued to place strong emphasis on human resources development and staff training. In 1999, the Group organised management seminars and provided internal training programs to enhance the technical skills and managerial skills of its staff. Staff was also enrolled in external training courses and seminars to improve themselves and also to increase their awareness of market conditions and competition. The Group has sponsored staff to pursue relevant professional and technical courses to improve their job knowledge.

Competitive remuneration packages and fringe benefits are being provided to all staff while discretionary bonuses are awarded to staff based on individual and Group performance.

The Group also recognised the benefits of good working relations amongst its staff. Periodical discussions and dialogue between branch personnel and management were held to improve the quality of customer service and to expand the consumer loan business. In-house activities were organised from time to time for all staff to participate to foster closer relationships.



The 1999 Annual General Meeting of JCG Holdings Limited held at Mandarin Oriental, Hong Kong.



The Board of Directors and senior management staff toasted at the Group's Annual Dinner 1999 held at The Regent Hong Kong in January 1999.



Tan Sri Dato' Dr. Teh Hong Piow, the Group Chairman presented a Long Service Award for 20 years to a staff.



Our General Manager, Mr. Tan Yoke Kong receiving the certificate, in recognition of JCG Holdings Limited being selected as one of the 300 best small companies in the world by Forbes Global Magazine, from the MD-Asia of Forbes.



Branch Managers and Assistant Branch Managers participated in the "1999 Management Seminar" held at Sheraton Hong Kong Hotel in August 1999.



A training session conducted for staff at our in-house training centre.

One of the regular dialogue sessions of Branch Managers with management staff to discuss business performance and strategies, etc.



Management staff at the lucky draw ceremony of our Business Promotion Campaign, 1999.

The Company's annual outing for the staff and their family members in October 1999.



The inter-group badminton competition organised by JCG Sports Club to foster team spirits among staff.

Santa Claus with family members of the staff at the annual Christmas party.



R eport of the D irectors

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 1999.

PRINCIPAL ACTIVITIES

The Company acted as an investment holding company during the year. The principal activities of its subsidiaries are deposit taking, personal and commercial lending, operation of credit card business, mortgage financing, stockbroking, letting of investment properties, provision of finance to purchasers of taxis and public light buses, leasing of taxis, and trading of taxi cabs, taxi licences, automobile accessories and spare parts. There were no changes in the nature of the Group's activities during the year.

Details of the principal activities of the Company's subsidiaries are set out in note 21 to the financial statements.

SEGMENTAL INFORMATION

(a) By geographical area

The Group's principal operations are located in Hong Kong, SAR.

(b) By class of business

	Group			
	1999		1998	
	Profit	Total	Profit/(loss)	Total
	before	assets	before	assets
	tax		tax	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Personal and commercial lending	426,592	5,194,242	285,596	5,096,661
Taxi trading and related operations, and other business	7,190	220,466	(30,982)	233,963
	433,782	5,414,708	254,614	5,330,624

Types of business

The core businesses of the principal operating subsidiaries are personal and commercial lending, which comprise the granting of personal loans, overdrafts, property mortgage loans, hire purchase loans to individuals and small to medium sized manufacturing companies, credit card services and the provision of finance to purchasers of licenced public vehicles such as taxis and public light buses.

Taxi trading and related operations comprise leasing of taxis, and trading of taxi cabs, taxi licences, automobile accessories and spare parts. Other business comprises securities dealing and letting of investment properties.

SEGMENTAL INFORMATION (Cont'd)

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

	Gross advances to customers	
	1999	1998
	HK\$'000	HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial:		
– Property development	19,265	21,164
– Property investment	93,700	99,509
– Financial concerns (other than banks and financial institutions)	506	263
– Wholesale and retail trade	11,560	12,857
– Manufacturing	35,572	67,217
– Licenced public vehicles	1,222,339	1,572,878
– Others	73,478	107,180
Individuals:		
– Loans for the purchase of residential properties	164,433	217,524
– Credit card advances	14,529	16,546
– Others	2,362,210	2,401,665
Loans for use outside Hong Kong	114,500	114,500
	4,112,092	4,631,303

Advances to customers are classified by industry sector 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 borrower or by reference to the assets financed according to the loan documentation.

QUALITATIVE INFORMATION ON MANAGEMENT OF RISKS

Credit risk

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

JCG Finance, a wholly-owned subsidiary, has established policies and systems for the monitoring and control of credit risk. The Credit Committee is responsible for the formulation of credit policies and management of credit risk through reviews of regular reports on credit exposures, which include exposure limits and the level of bad debt provisions.

JCG Finance maintains a tight control on loan assessments and approvals and will continue to pursue a conservative and prudent policy in granting loans in order to maintain a quality loan portfolio.

QUALITATIVE INFORMATION ON MANAGEMENT OF RISKS (Cont'd)

Market risk

Market risk is the risk associated with changes in interest rates, foreign exchange rates, equity prices and commodity prices, and the effect such changes have on positions taken on market risk related financial instruments, including both on and off balance sheet instruments, which may result in profits or losses.

JCG Finance adopts a conservative view on exposure to market risk related financial instruments. JCG Finance monitors its exposure to the market risk on a regular basis and will take appropriate actions to minimise its exposure to market risk. During the year, JCG Finance did not trade in any market risk related financial instruments. The market risk exposure of JCG Finance arising from both on and off balance sheet activities was considered immaterial. Accordingly, quantitative market risk information is not disclosed.

Liquidity management

The main objectives of the Group's liquidity management are to ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund loan growth and to generate reasonable returns from available funds.

JCG Finance monitors its liquidity ratio as part of its ongoing assets and liabilities management. The balance between liquidity position and profitability is carefully considered.

Capital management

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

JCG Finance relies principally on its internally generated capital, customer deposits and deposits from financial institutions. JCG Finance adopts a prudent policy in capital management and manages its deposits in line with its loan growth.

Winton Group relies on both internally generated capital as well as bank borrowings and overdrafts for its working capital. The funding position is monitored and reviewed regularly to ensure it is within established limits, and at reasonable costs.

CAPITAL ADEQUACY AND LIQUIDITY RATIOS

	1999		1998	
	Adjusted ratio	Unadjusted ratio	Adjusted ratio	Unadjusted ratio
Capital adequacy ratio	62.84%	62.98%	54.42%	54.81%
Liquidity ratio		106.33%		71.24%

The components of the total capital base after deductions include the following items:

	1999 HK\$'000	1998 HK\$'000
Core capital		
Paid up ordinary share capital	258,800	258,800
Reserves (eligible for inclusion in core capital)	1,565,985	1,368,870
	1,824,785	1,627,670
Eligible supplementary capital		
General provisions for doubtful debts	38,507	39,637
Total capital base before deductions	1,863,292	1,667,307
Deductions from total capital base	(10)	(10)
Total capital base after deductions	1,863,282	1,667,297

The above unadjusted capital adequacy ratio, being that of JCG Finance, is computed on a consolidated basis (including JCG Securities Limited and Funds Fit Limited) in accordance with the Third Schedule of the Banking Ordinance.

The adjusted capital adequacy ratio which takes into account market risk as at the balance sheet date, being that of JCG Finance, is computed on a combined basis in accordance with the Guideline "Maintenance of Adequate Capital Against Market Risks" issued by the Hong Kong Monetary Authority.

The average liquidity ratio for the financial year, also being that of JCG Finance, is computed in accordance with the Fourth Schedule of the Banking Ordinance.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 1999 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 29 to 60.

An interim dividend of 7.5 cents (1998: 7.5 cents) per ordinary share was paid on 27 August 1999. The directors recommend the payment of a final dividend of 12.5 cents (1998: 12.5 cents) per ordinary share in respect of the year to shareholders on the register of members on 23 March 2000. This recommendation has been incorporated in the financial statements.

Report of the **D**irectors

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 7.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group are set out in notes 19 and 20 to the financial statements, respectively.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 21 to the financial statements.

ASSOCIATES

Particulars of the Group's associates are set out in note 22 to the financial statements.

BANK BORROWINGS

Details of the Group's bank borrowings at 31 December 1999 are set out in note 25 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with reasons thereof, are set out in note 29 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 1999, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$391,053,000 as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account in the amount of approximately HK\$1,206,157,000 may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable and other donations totalling HK\$72,500.

MAJOR CUSTOMERS AND SUPPLIERS

Income attributable to the Group's five largest customers accounted for less than 30% of the total income for the year.

Purchases from the Group's five largest suppliers accounted for 47% of the total purchases for the year and purchases from the largest supplier included therein amounted to 18%.

None of the directors of the Company or their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) or any shareholder (which, to the best knowledge of the directors owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

COMPLIANCE WITH FINANCIAL DISCLOSURE BY LOCALLY INCORPORATED AUTHORISED INSTITUTIONS

The Group has adopted and fully complied with the guideline of Financial Disclosure by Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority.

DIRECTORS

The directors of the Company during the year were as follows:

Non-executive directors:

Tan Sri Dato' Dr. Teh Hong Piow, Chairman
Datuk Tay Ah Lek
Wong Kong Ming

Executive directors:

Tan Yoke Kong
Lee Huat Oon

Independent non-executive directors:

Cheah Cheng Hye
Geh Cheng Hooi, Paul

In accordance with the bye-laws of the Company, Mr. Lee Huat Oon and Mr. Wong Kong Ming retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Name	Age	Position held	Number of years of service with the Group	Business experience
Tan Sri Dato' Dr. Teh Hong Piow	69	Chairman	10	He is the founder and controlling shareholder of Public Bank Berhad ("Public Bank"), which is the controlling shareholder of the Group. Tan Sri Dato' Dr. Teh has been in the banking industry for more than 50 years.
Tan Yoke Kong	47	Director/ Chief Executive	9	He has more than 18 years' experience in the banking sector.
Datuk Tay Ah Lek	57	Non-executive Director	5	He is the Executive Director of Public Bank and has more than 35 years' experience in the banking and financial sector.
Lee Huat Oon	37	Director/ Alternate Chief Executive	5	He has more than 12 years' experience in the banking sector.
Wong Kong Ming	46	Non-executive Director	4	He is the General Manager of Public Bank, Hong Kong Branch and has more than 24 years' experience in the banking sector.
Cheah Cheng Hye	45	Independent Non-executive Director	6	He has more than 10 years' experience in the financial sector, prior to which he worked as a financial journalist for 12 years.
Geh Cheng Hooi, Paul	65	Independent Non-executive Director	5	He is a consultant with KPMG, Malaysia. Prior to this, Mr. Geh was with the same firm for 29 years and was the Senior Partner thereof.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of directors and the five highest paid individuals in the Group are set out in notes 9 and 10 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Except details of the transactions included in note 36 to the financial statements, no director had a material interest in any contract of significance to the business of the Group to which the Company, its holding company, its subsidiaries or its fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

- (1) At the balance sheet date, the interests of the directors in the share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Interests in	Name of director	Number of ordinary shares	
		Corporate interests	Personal interests
1. The Company	Tan Sri Dato'		
	Dr. Teh Hong Piow	391,582,110	-
	Cheah Cheng Hye	-	10,000
	Tan Yoke Kong	-	90,000
2. Public Bank (ultimate holding company)	Tan Sri Dato'		
	Dr. Teh Hong Piow	784,228,000	210,000
	Datuk Tay Ah Lek	133,000	136,000
	Wong Kong Ming	-	52,360
3. Public Finance Berhad (fellow subsidiary)	Tan Sri Dato'		
	Dr. Teh Hong Piow	187,319,051	16,500
	Datuk Tay Ah Lek	2,349	1,650
4. Winton (subsidiary)	Tan Sri Dato'		
	Dr. Teh Hong Piow	314,999,925	-

By virtue of his interest in Public Bank, Tan Sri Dato' Dr. Teh Hong Piow is deemed to be interested in the ordinary shares of the Company and the associated corporations as disclosed above, to the extent Public Bank has an interest.

Tan Sri Dato' Dr. Teh Hong Piow, who by virtue of his interest in Public Bank, is also deemed to be interested in the non wholly-owned subsidiaries of Public Bank and of Winton, to the extent of Public Bank's or Winton's interests in them, respectively. These non wholly-owned subsidiaries have not been itemised on the basis that they are not material in the context of the Group and the list is of excessive length.

DIRECTORS' INTERESTS IN SHARES (Cont'd)

- (2) At the balance sheet date, the interests of the directors in any rights to subscribe for shares in the Company and its associated corporations as recorded in the register required to be kept under Section 29 of the SDI Ordinance were as follows:

Interests in	Notes	Name of director	Options granted in prior years	Options exercised during the year	Options not yet exercised
1. The Company	(i)	Tan Yoke Kong	150,000	–	150,000
	(i)	Lee Huat Oon	136,000	–	136,000
2. Public Bank	(ii)	Tan Sri Dato' Dr. Teh Hong Piow	250,000	–	250,000
	(ii)	Datuk Tay Ah Lek	175,000	–	175,000
	(ii)	Wong Kong Ming	37,500	–	37,500

Notes:

- (i) The options to subscribe for ordinary shares of HK\$0.10 each in the Company were granted on 20 June 1997 under the Company's Share Option Scheme for Employees duly approved on 20 March 1997. 50% of the options are exercisable two years after 5 July 1997, and the remaining 50% of the options are exercisable three years after 5 July 1997 at a subscription price of HK\$4.77 per share. The last day to exercise the options is 4 July 2002.
- (ii) The options to subscribe for ordinary shares of RM0.50 each in Public Bank were granted on 10 April 1998 under its Employees' Share Option Scheme. The options are exercisable from 10 April 1998 to 24 February 2003, subject to the terms of the Employees' Share Option Scheme, at a subscription price of RM1.66 per share.

During the year, none of the options to subscribe for shares in the Company and Public Bank was granted to or exercised by any of the directors.

Save as disclosed above, none of the directors had any personal, family, corporate or other beneficial interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the share option schemes noted above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Further details of the Company's share option scheme are set out in note 29 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

At the balance sheet date, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that Public Bank held a beneficial interest in 391,582,110 ordinary shares of HK\$0.10 each in the Company, representing approximately a 55.4% shareholding.

By virtue of his interest in Public Bank, Tan Sri Dato' Dr. Teh Hong Piow is deemed to be interested in the shares of the Company to the extent that Public Bank has an interest.

Save as disclosed above, the directors of the Company are not aware of any person who is, directly or indirectly, interested in 10% or more of the issued share capital of the Company or any rights to subscribe for shares in respect of such capital.

CONNECTED TRANSACTIONS

On 23 July 1997, a tenancy agreement was made between JCG Finance as the landlord and Public Bank, the ultimate holding company, as the tenant whereby JCG Finance agreed to lease an apartment located in Taikoo Shing, Hong Kong to Public Bank as its staff quarters for a term of two years commencing on 1 August 1997 (the "Tenancy Agreement"). The Tenancy Agreement was renewed by entering into a new agreement on 26 July 1999 for a term of three years commencing from 1 August 1999 to 31 July 2002 at a new monthly rental of HK\$22,000.

A lease arrangement was made on 1 September 1993 and renewed on 1 September 1995 between JCG Finance as the landlord and Public Bank as the tenant whereby JCG Finance agreed to lease a portion of the office premises at 11th Floor, Wing On House, Hong Kong to Public Bank as its office (the "Lease Arrangement"). The Lease Arrangement was renewed by a new tenancy agreement entered into on 31 August 1998 for a term of two years commencing from 1 September 1998 to 31 August 2000 at a new monthly rental of HK\$71,550.

The Group's subsidiaries, Winton Financial Limited ("WFL") and Winton Financial (Factoring) Limited ("WFFL") entered into agreements with Public Bank, and WFFL entered into an agreement with JCG Finance, for the joint provision of hire purchase financing to purchasers of taxis and/or public light buses (the "Co-Financing Arrangements"). The terms of the Co-Financing Arrangements with Public Bank and JCG Finance are essentially the same as those which the Group has with other co-financing banks.

During the year, no new hire purchase loan was granted under the Co-Financing Arrangements with Public Bank (1998: HK\$9,792,000) and JCG Finance (1998: HK\$33,622,000). There was no new guarantee provided by Winton to Public Bank (1998: HK\$171,000) and JCG Finance (1998: HK\$5,522,000) in respect of borrowers who may default within one year of the loan. However, Winton had extended the guarantee to Public Bank for two accounts rescheduled by Public Bank for the amount of approximately HK\$770,000 on terms similar to other co-financing banks. Interest received by Public Bank and JCG Finance under the Co-Financing Arrangements amounted to approximately HK\$40,000 (1998: HK\$5,753,000) and HK\$1,736,000 (1998: HK\$1,356,000), respectively, and in return, commission income of approximately HK\$122,000 (1998: HK\$4,389,000) and HK\$414,000 (1998: Nil) was received by Winton Group from Public Bank and JCG Finance, respectively.

CONNECTED TRANSACTIONS (Cont'd)

In addition, pursuant to facility agreements entered into between WFL and Public Bank (L) Ltd ("PBL"), a wholly-owned subsidiary of Public Bank, PBL has granted unsecured revolving credit facilities to WFL for a total amount of HK\$800,000,000 (1998: HK\$750,000,000). The facilities were utilised to the extent of HK\$799,414,000 as at 31 December 1999 (1998: HK\$750,000,000). Interest paid by the Group for the year to PBL in respect of the facilities amounted to approximately HK\$64,798,000 (1998: HK\$74,556,000).

During the year, pursuant to a facility agreement entered into between JCG Finance and Winton, JCG Finance has granted an unsecured revolving credit facility to Winton for a total amount of HK\$100,000,000 (1998: HK\$100,000,000). Approximately HK\$5,000,000 was utilised by Winton as at 31 December 1999 (1998: Nil). Interest paid by Winton to JCG Finance for the year in respect of the facility amounted to approximately HK\$2,034,000 (1998: HK\$67,000).

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 35 to the financial statements.

PENSION SCHEME

Details of the pension scheme of the Group and the employer's pension costs charged to the profit and loss account for the year are set out in notes 3 and 6 to the financial statements, respectively.

CODE OF BEST PRACTICE

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

YEAR 2000 COMPLIANCE

In the Company's 1998 annual report, and interim reports for 1998 and 1999, the Group disclosed information relating to the definition of Year 2000 compliance, the risks and uncertainties associated with the Year 2000 Problem, the structure of the Group's Year 2000 compliance project, and the work done to reduce the Group's potential exposure to the Year 2000 Problem arising from disruptions to its business and operations. These details are therefore not repeated here.

The Group completed the program enhancements relating to its critical and non-critical systems, and these enhanced systems were assessed by management to be Year 2000 compliant in 1999. The Group has also developed and implemented a contingency plan to cater for possible disruptions to business from the Year 2000 Problem which may impact its customers, business partners and employees. If the contingency plan is triggered, detailed contingency procedures will be invoked and the business operations will be conducted manually.

YEAR 2000 COMPLIANCE (Cont'd)

During the transition from 31 December 1999 to 1 January 2000, the computer systems of the Group functioned smoothly without encountering any abnormality relating to the Year 2000 Problem. As at the current reporting date, the Group has not encountered any problems affecting its operations that were caused by the Year 2000 Problem.

The estimated project costs for program enhancements and systems implementation, and upgrading of hardware and equipment for the Group were approximately HK\$2.80 million. The amount of project costs that has been authorised and contracted for is HK\$2.78 million, out of which HK\$1.71 million has been incurred as at 31 December 1999. There is no further commitment of project costs after 31 December 1999. The total project cost incurred on this project will be capitalised and depreciated on a straight-line basis according to the accounting policies adopted by the Group.

AUDIT COMMITTEE

The Company's audit committee (the "Audit Committee") was established on 1 January 1999 with written terms of reference which were formulated by reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997. The present members of the Audit Committee are Tan Sri Dato' Dr. Teh Hong Piow (Chairman of the Audit Committee), Datuk Tay Ah Lek (alternate to Tan Sri Dato' Dr. Teh Hong Piow), Mr. Geh Cheng Hooi, Paul and Mr. Cheah Cheng Hye. Meetings shall be held not less than twice a year. The work of Audit Committee has covered the full accounting year ended 31 December 1999.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Tan Yoke Kong

Director

Hong Kong

29 January 2000

R eport of the A uditors



To the members

JCG Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 29 to 60 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view, in all material respects, of the state of affairs of the Company and of the Group as at 31 December 1999 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

29 January 2000

Consolidated Profit and Loss Account

For the year ended 31 December 1999

	Notes	1999 HK\$'000	1998 HK\$'000
Interest income		923,928	956,069
Interest expense		(182,723)	(237,946)
NET INTEREST INCOME		741,205	718,123
Other operating income	5	195,101	174,431
OPERATING INCOME		936,306	892,554
Operating expenses	6	(234,304)	(286,232)
OPERATING PROFIT BEFORE PROVISIONS		702,002	606,322
Provisions for bad and doubtful debts	8	(267,740)	(344,875)
OPERATING PROFIT		434,262	261,447
Share of results from associates		(480)	(6,833)
PROFIT BEFORE TAX		433,782	254,614
Tax	11	(84,832)	(38,781)
PROFIT BEFORE MINORITY INTERESTS		348,950	215,833
Minority interests		16,388	38,505
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	12	365,338	254,338
Dividends	13	(141,405)	(141,269)
RETAINED PROFIT FOR THE YEAR		223,933	113,069
EARNINGS PER SHARE (cents)	14		
Basic		51.7	36.0
Diluted		N/A	N/A

Other than the net profit for the year attributable to shareholders, the Group had no recognised gains or losses. Accordingly, a consolidated statement of recognised gains and losses is not presented in the financial statements.

Balance Sheets

31 December 1999

	Notes	Group		Company	
		1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
ASSETS					
Cash and short term placements	15	820,005	383,196	264,122	53,429
Placements with banks and financial institutions maturing between one and twelve months	16	-	-	-	160,678
Loans and advances	7	3,756,770	4,173,000	-	-
Other assets	17	476,466	401,084	151,142	125,364
Fixed assets	19	261,869	275,658	-	-
Investment properties	20	80,758	77,758	-	-
Interests in subsidiaries	21	-	-	1,341,657	1,341,657
Interests in associates	22	18,840	19,928	-	-
TOTAL ASSETS		5,414,708	5,330,624	1,756,921	1,681,128
LIABILITIES					
Interest-bearing bank borrowings	25	108,554	183,247	-	-
Trust receipt loans	25	-	2,484	-	-
Customer deposits	23	1,304,381	1,003,364	-	-
Deposits from a financial institution	24	-	313,029	-	-
Other liabilities	26	289,559	295,607	89,009	89,428
TOTAL LIABILITIES		1,702,494	1,797,731	89,009	89,428
INTEREST-BEARING LONG TERM BANK BORROWINGS	25	870,647	899,032	-	-
CAPITAL RESOURCES					
Share capital	29	70,702	70,698	70,702	70,698
Reserves	30	2,598,292	2,374,172	1,597,210	1,521,002
Shareholders' funds		2,668,994	2,444,870	1,667,912	1,591,700
Minority interests		172,573	188,991	-	-
TOTAL CAPITAL RESOURCES		2,841,567	2,633,861	1,667,912	1,591,700
TOTAL LIABILITIES AND CAPITAL RESOURCES		5,414,708	5,330,624	1,756,921	1,681,128

Tan Yoke Kong
Director

Lee Huat Oon
Director

Consolidated Cash Flow Statement

For the year ended 31 December 1999

	Notes	1999 HK\$'000	1998 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	31(a)	660,620	445,932
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Ordinary dividends paid		(141,400)	(205,024)
Dividends paid to minority interests		(30)	(4,978)
Net cash outflow from returns on investments and servicing of finance		(141,430)	(210,002)
TAX			
Hong Kong profits tax paid		(77,120)	(32,114)
INVESTING ACTIVITIES			
Purchases of fixed assets		(4,486)	(4,409)
Proceeds from sale of fixed assets		8	158
Net proceeds from disposal of investment in an associate		-	1,100
Net cash outflow from investing activities		(4,478)	(3,151)
NET CASH INFLOW BEFORE FINANCING ACTIVITIES		437,592	200,665
FINANCING ACTIVITIES	31(b)		
Repurchase of own shares		-	(1,102)
Shares issued in respect of the exercise of share options		191	-
Net cash inflow/(outflow) from financing activities		191	(1,102)
INCREASE IN CASH AND CASH EQUIVALENTS		437,783	199,563
Cash and cash equivalents at 1 January		377,827	178,264
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		815,610	377,827
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and short term placements		820,005	383,196
Trust receipt loans		-	(2,484)
Bank overdrafts		(4,395)	(2,885)
		815,610	377,827

Notes to Financial Statements

31 December 1999

1. CORPORATE INFORMATION

The registered office of the Company is Clarendon House, Church Street, Hamilton HM11, Bermuda.

During the year, the Group's principal activities were deposit taking, personal and commercial lending, operation of credit card business, mortgage financing, stockbroking, letting of investment properties, provision of finance to purchasers of taxis and public light buses, leasing of taxis and trading of taxi cabs, taxi licences, automobile accessories and spare parts.

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

2. IMPACT OF NEW STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following are the Accounting Standards that have been adopted for the first time in the preparation of the current year's consolidated financial statements, together with a summary of their major effects:

- SSAP 1: Presentation of Financial Statements
- SSAP 2: Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies
- SSAP10: Accounting for Investments in Associates

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content therein. The format of the profit and loss account and balance sheets as set out on pages 29 and 30 respectively, have been revised in accordance with the SSAP. Additional disclosures as required by the SSAP have been included in the supporting notes.

SSAP 2 prescribes the classification, disclosure and accounting treatment of certain items in the profit and loss account, and specifies the accounting treatment for changes in accounting estimates, changes in accounting policies and the correction of fundamental errors. The principal impact of the SSAP on the preparation of these financial statements is that exceptional items, previously disclosed on the face of the profit and loss account, are now disclosed by way of note (note 6 to the financial statements) and are no longer specifically referred to as "exceptional items".

SSAP 10, which prescribes the accounting treatment for investments in associates, closely follows the previous SSAP 10 and, accordingly, has had no major impact on these financial statements. The terminology used and certain disclosures have been revised in line with the new requirements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong SSAPs, 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 revaluation of investment properties, and certain fixed assets 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 1999. 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.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

The capital reserve arising on acquisition of subsidiaries represents the excess fair values ascribed to the Group's share of the underlying net assets acquired over the purchase consideration.

Upon disposal of a subsidiary, the relevant portion of the capital reserve is released to the profit and loss account to determine the gain or loss on sale.

Associates

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for permanent diminutions in values other than temporary in nature deemed necessary by the directors.

Provisions for doubtful loans

Provisions are made against loans and advances as and when they are considered doubtful by the directors. In addition, an amount is set aside as a general provision for doubtful loans and advances. Loans and advances are stated in the financial statements net of these provisions.

Notes to Financial Statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fixed assets and depreciation

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

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

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

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

Investment properties

Investment properties are interests in land and buildings which are intended to be held on a long term basis for their investment potential, and rental income are being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the actual cost for taxi licences and taxi cabs or the weighted average basis for automobile accessories and spare parts. Net realisable value is based on estimated selling prices less any estimated costs expected to be incurred on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Deferred expenditure

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

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Foreign currencies

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

On consolidation, the financial statements of overseas associates are translated to Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the translation reserve.

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, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable, and on the basis set out below in the heading "Financing operations";
- (b) commission, brokerage, handling fees and fee income, when services are rendered;
- (c) on the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (d) rental income, on a straight-line basis over the lease terms; and
- (e) dividends, when the shareholders' right to receive payment is established.

Notes to Financial Statements

31 December 1999

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financing operations

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

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

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Related parties

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

Retirement benefits scheme

The Group, excluding Winton Group, operates a defined contribution retirement benefits scheme for those employees who are eligible to participate in the scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. When an employee leaves the scheme prior to his/her interest in the Group's employer contributions becoming fully vested, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

Long service payments

Provisions for long service payments have been made in respect of employees who have been continuously employed by Winton Group for five years or more and who are eligible for long service payments on termination of their employment in accordance with the Hong Kong Employment Ordinance.

4. TURNOVER

Turnover of the Group does not include that of JCG Finance, the disclosure of which is exempt under the Companies Ordinance.

Turnover represents the net amounts received and receivable for goods supplied and services rendered, trading of taxi cabs and taxi licences, leasing of taxis and interest from the provision of financing after netting off interest paid to co-financing banks under co-financing arrangements, and is summarised as follows:

	Group	
	1999 HK\$'000	1998 HK\$'000
Taxi trading and related operations	94,796	156,518
Financing business*	175,061	236,383
Others	19,560	41,897
	289,417	434,798

* The amount has been arrived at after netting off interest paid to co-financing banks under co-financing arrangements, as follows:

Ultimate holding company	40	5,753
Others	20,705	139,008

5. OTHER OPERATING INCOME

	Group	
	1999 HK\$'000	1998 HK\$'000
Fees and commission income	169,274	167,235
Loss on foreign exchange	-	(129)
Gross rental income less outgoing expenses	5,414	7,398
Loss on disposal of fixed assets	(133)	(167)
Net profit/(loss) from trading and related activities	8,209	(2,555)
Compensation received by a former restaurant	7,099	-
Others	5,238	2,649
	195,101	174,431

Net profit/(loss) from trading activities has been arrived at after netting off the cost of inventories sold in the amount of HK\$101,311,000 (1998: HK\$200,370,000).

Notes to Financial Statements

31 December 1999

6. OPERATING EXPENSES

	Group	
	1999 HK\$'000	1998 HK\$'000
Staff costs:		
Salaries and other staff costs	102,571	98,345
Pension contributions	5,665	5,443
Less: Forfeited contributions	(489)	(497)
Net pension contributions	5,176	4,946
	107,747	103,291
Other operating expenses:		
Provision for diminution in value of inventories of taxi licences	24	2,641
Provision for loss on amount due from an associate	–	6,351
Operating lease rentals on land and buildings	25,202	27,004
Depreciation	8,835	11,325
Auditors' remuneration	1,862	2,168
Deficit on revaluation of investment properties	6,299	46,402
Amortisation and write-off of commission expenses	39,119	44,297
Others	45,216	42,753
	234,304	286,232

At 31 December 1999, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (1998: Nil). The current year credit arose in respect of staff who left the scheme during the year.

7. LOANS AND ADVANCES

(a) Advances to customers

	Group	
	1999 HK\$'000	1998 HK\$'000
Loans and advances to customers	4,112,092	4,631,303
Provisions for bad and doubtful debts (<i>note 8</i>)		
Specific	(154,678)	(262,289)
General	(200,644)	(196,014)
	(355,322)	(458,303)
	3,756,770	4,173,000

Certain loans were pledged to secure banking facilities of approximately HK\$160,271,000 (1998: HK\$269,123,000). At 31 December 1999, such facilities were utilised to the extent of approximately HK\$106,158,000 (1998: HK\$191,213,000) (*note 25*).

7. LOANS AND ADVANCES (Cont'd)

(a) Advances to customers (Cont'd)

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

	Group	
	1999 HK\$'000	1998 HK\$'000
Repayable:		
On demand	118,873	218,117
Three months or less	615,115	601,837
One year or less but over three months	1,177,568	1,198,880
Five years or less but over one year	759,639	846,860
Beyond five years and undated	1,440,897	1,765,609
	<u>4,112,092</u>	<u>4,631,303</u>

(b) Advances to customers which are overdue

	Group			
	1999		1998	
	Gross amount HK\$'000	Percentage of total loans and advances	Gross amount HK\$'000	Percentage of total loans and advances
Six months or less but over three months	34,914	0.9	105,546	2.3
One year or less but over six months	36,413	0.9	179,458	3.9
Over one year	170,163	4.1	334	-
Total overdue advances	241,490	5.9	285,338	6.2
Taxi financing loans terminated and fully provided for	67,017	1.6	186,972	4.0
	<u>308,507</u>	<u>7.5</u>	<u>472,310</u>	<u>10.2</u>

The above overdue advances include property mortgage loans of HK\$160,634,000 (1998: HK\$154,457,000). Approximately HK\$149,766,000 (1998: HK\$334,000) of these property mortgage loans were overdue for more than one year, and specific provisions related to these property mortgage loans were HK\$52,436,000 (1998: HK\$64,000).

Notes to Financial Statements

31 December 1999

7. LOANS AND ADVANCES (Cont'd)

(b) Advances to customers which are overdue (Cont'd)

Under the co-financing arrangements, the taxi financing loans are jointly financed by the co-financing banks and Winton Group. Winton Group is entitled to receive certain monthly installments (hereinafter referred to as "Winton Portion") and the co-financing banks are entitled to receive certain monthly installments (hereinafter referred to as "Bank Portion"). The Bank Portion other than those co-financed by JCG Finance does not form part of the Group's gross advances to customers. Accordingly, taxi financing loans with overdue installments payable to the co-financing banks were not included in the Group's overdue advances. As at 31 December 1999, there were no taxi financing loans which were overdue for more than three months under the Group's gross advances to customers (1998: HK\$54,370,000. Specific provisions relating to these taxi financing loans were approximately HK\$20,163,000).

(c) Aggregate advances on which interest is no longer accrued

	Group			
	1999	Percentage of total loans and advances	1998	Percentage of total loans and advances
	Gross amount HK\$'000		Gross amount HK\$'000	
Gross advances	341,651	8.3	510,188	11.0
Specific provisions	(153,802)		(262,289)	
	<u>187,849</u>		<u>247,899</u>	

The above gross advances on which interest is no longer accrued include property mortgage loans and taxi financing loans of HK\$168,952,000 (1998: HK\$169,891,000) and HK\$67,017,000 (1998: HK\$241,342,000), respectively, which are secured by properties, taxi cabs and taxi licences. Specific provisions of approximately HK\$54,522,000 (1998: HK\$47,883,000) and HK\$43,849,000 (1998: HK\$171,044,000) are related to property mortgage loans and taxi financing loans, respectively.

The above gross advances of HK\$341,651,000 (1998: HK\$510,188,000) include advances overdue for three months or less of HK\$33,144,000 (1998: HK\$37,878,000) on which interest accrual has ceased.

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

(d) Rescheduled loans

As at 31 December 1999, there were no rescheduled loans under the Group's gross advances.

The co-financing banks of Winton Group have rescheduled the Bank Portion of a certain number of taxi financing loans. However, the Winton Portion of these taxi financing loans were not rescheduled, and therefore were not classified herein as rescheduled loans.

Notes to Financial Statements

31 December 1999

8. PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	Specific HK\$'000	Group General HK\$'000	Total HK\$'000
At 1 January 1998	18,975	166,427	185,402
Charge for the year	318,806	29,587	348,393
Amounts written off	(75,492)	-	(75,492)
At 31 December 1998 and 1 January 1999	262,289	196,014	458,303
Charge for the year	266,939	4,630	271,569
Amounts written off	(374,550)	-	(374,550)
At 31 December 1999	154,678	200,644	355,322

	Group	
	1999 HK\$'000	1998 HK\$'000
Specific charge	266,939	318,806
General charge	4,630	29,587
Loan recoveries	271,569 (3,829)	348,393 (3,518)
Net charge to the profit and loss account	267,740	344,875

Notes to Financial Statements

31 December 1999

9. DIRECTORS' REMUNERATION

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

	Group	
	1999 HK\$'000	1998 HK\$'000
Fees:		
Executive	70	70
Non-executive	175	175
Independent non-executive	280	210
	525	455
Other emoluments:		
Basic salaries, housing, other allowances and benefits in kind	1,463	1,464
Bonuses paid and payable	383	436
Pension scheme contributions	124	124
	2,495	2,479

In addition to the directors' remuneration disclosed above, one director occupies a property of the Group rent free. The estimated monetary value of the accommodation so provided to the director and not charged to the profit and loss account is HK\$240,000.

The remuneration of the above directors fell within the following bands:

	1999 Number of directors	1998 Number of directors
HK\$Nil – HK\$1,000,000	6	6
HK\$1,000,001 – HK\$1,500,000	1	1
	7	7

Pursuant to a Share Option Scheme for Employees duly approved on 20 March 1997, the directors may, at their discretion, invite full time employees of the Group, including executive directors, to take up options to subscribe for ordinary shares of HK\$0.10 each in the Company. 50% of the options are exercisable two years after 5 July 1997 and the remaining 50% of the options are exercisable three years after 5 July 1997 at a subscription price of HK\$4.77 per share. The last day to exercise the options is 4 July 2002.

Two of the executive directors were granted 286,000 options to subscribe for shares in the Company in the prior year.

During the year, none of the directors was granted any options to subscribe for shares in the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included two (1998: two) directors, details of whose remuneration are set out in note 9 above. The details of the remuneration of remaining three (1998: three) non-director, highest paid individuals are as follows:

	Group	
	1999 HK\$'000	1998 HK\$'000
Basic salaries, housing, other allowances and benefits in kind	2,126	2,209
Bonuses paid and payable	325	506
Pension scheme contributions	101	101
	<u>2,552</u>	<u>2,816</u>

The remuneration of the non-director, highest paid individuals fell within the following bands:

	1999 Number of employees	1998 Number of employees
HK\$Nil – HK\$1,000,000	2	2
HK\$1,000,001 – HK\$1,500,000	1	1
	<u>3</u>	<u>3</u>

11. TAX

Hong Kong profits tax has been provided at the rate of 16% (1998: 16%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	1999 HK\$'000	1998 HK\$'000
Hong Kong	84,832	78,324
Overprovision in prior years	–	(19,979)
Deferred tax credit (note 27)	–	(19,564)
	<u>84,832</u>	<u>38,781</u>

Notes to Financial Statements

31 December 1999

12. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$217,426,000 (1998: HK\$197,307,000).

13. DIVIDENDS

	1999	1998	1999	1998
	Cents per ordinary share		HK\$'000	HK\$'000
Interim	7.5	7.5	53,027	52,896
Proposed final	12.5	12.5	88,378	88,373
	20.0	20.0	141,405	141,269

14. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$365,338,000 (1998: HK\$254,338,000) and the weighted average number of 706,999,000 (1998: 707,023,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 1999 and 1998 have not been calculated as no diluting events existed during these years.

15. CASH AND SHORT TERM PLACEMENTS

	Group		Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and balances with banks and other financial institutions	76,287	72,836	78	40
Money at call and short notice	743,718	310,360	264,044	53,389
	820,005	383,196	264,122	53,429

One of the Group's placements with banks, amounting to HK\$5,000,000 (1998: HK\$5,000,000), was pledged to a bank for credit facilities of HK\$5,000,000 (1998: HK\$5,000,000) granted to the Group (note 25).

16. PLACEMENTS WITH BANKS AND FINANCIAL INSTITUTIONS MATURING BETWEEN ONE AND TWELVE MONTHS

Last year, the Company's placements with financial institutions were placed with JCG Finance.

Notes to Financial Statements

31 December 1999

17. OTHER ASSETS

	Note	Group		Company	
		1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Inventories	18	31,609	75,697	-	-
Interest receivable		323,537	219,113	788	890
Amount due from the ultimate holding company		-	90	-	-
Other debtors, deposits and prepayments		101,714	41,309	250	250
Deferred expenditure		19,606	64,875	-	-
Dividends receivable		-	-	150,104	124,224
		476,466	401,084	151,142	125,364

Amount due from the ultimate holding company is unsecured, interest-free and repayable on demand.

18. INVENTORIES

	Group	
	1999 HK\$'000	1998 HK\$'000
Taxi licences and taxi cabs	29,280	65,192
Automobile accessories and spare parts	2,329	10,505
	31,609	75,697

The carrying amount of inventories at net realisable value included in the above taxi licences and taxi cabs is HK\$2,157,000 (1998: HK\$23,760,000).

At 31 December 1999, the carrying amount of inventories of the Group pledged as security for bank borrowings and other loans amounted to HK\$20,731,000 (1998: HK\$38,266,000) (note 25).

Notes to Financial Statements

31 December 1999

19. FIXED ASSETS

Group	Leasehold land and buildings HK\$'000	Leasehold improvements, furniture, and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:				
At beginning of year	282,317	67,432	1,773	351,522
Additions	-	4,486	-	4,486
Transfer to investment properties	(9,800)	-	-	(9,800)
Disposals	-	(535)	(143)	(678)
At 31 December 1999	272,517	71,383	1,630	345,530
Accumulated depreciation:				
At beginning of year	15,715	58,376	1,773	75,864
Transfer to investment properties	(501)	-	-	(501)
Provided during the year	4,274	4,561	-	8,835
Disposals	-	(394)	(143)	(537)
At 31 December 1999	19,488	62,543	1,630	83,661
Net book value:				
At 31 December 1999	253,029	8,840	-	261,869
At 31 December 1998	266,602	9,056	-	275,658

During the year, land and buildings with a carrying value of HK\$9,299,000 was transferred to investment properties.

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

	Group	
	1999 HK\$'000	1998 HK\$'000
At cost:		
Medium term leases	11,914	11,914
Long term leases	260,603	270,403
	272,517	282,317

Certain leasehold land and buildings held by the Group were pledged to secure banking facilities granted to the Group at the balance sheet date (*note 25*).

20. INVESTMENT PROPERTIES

	Group	
	1999 HK\$'000	1998 HK\$'000
At beginning of year	77,758	126,360
Transfer to land and buildings	–	(2,200)
Transfer from land and buildings	9,299	–
Revaluation deficit	(6,299)	(46,402)
At 31 December	80,758	77,758

The Group's investment properties are situated in Hong Kong and are held under long term leases. Investment properties with a carrying value of HK\$43,250,000 were revalued on 28 December 1999 at HK\$40,600,000 by Chung Sen Surveyors Limited, an independent professional valuer, on an open market value based on their existing use. An investment property with a carrying value of HK\$5,000,000 was revalued on 15 December 1999 at HK\$5,300,000 by Prudential Surveyors International Ltd., an independent professional valuer, on an open market value based on its existing use. A property with a carrying value of HK\$9,299,000 was transferred from land and buildings to investment properties on 30 August 1999 and was revalued at HK\$5,350,000 on 28 December 1999 by Chung Sen Surveyors Limited. Accordingly, a net revaluation deficit of HK\$6,299,000, on a portfolio basis, arising from the above revaluations has been charged to the profit and loss account.

Certain of the Winton Group's properties with a carrying value of HK\$29,158,000 were revalued to HK\$30,000,000 in accordance with the valuation carried out on 21 December 1999 by Chung Sen Surveyors Limited on an open market value based on their existing use. As the directors are of the opinion that the revaluation surplus amount is immaterial, the property is not adjusted to the revalued amount. An investment property with a carrying value of HK\$350,000 has not been revalued by professional valuers as the directors are of the opinion that any revaluation adjustments will not be material.

Certain investment properties held by the Group were pledged to secure banking facilities granted to the Group at the balance sheet date (*note 25*).

21. INTERESTS IN SUBSIDIARIES

	Company	
	1999 HK\$'000	1998 HK\$'000
Shares at cost:		
Listed:		
Hong Kong	572,212	572,212
Unlisted:	769,445	769,445
	1,341,657	1,341,657
Market value of listed shares	97,650	88,200

Except for Winton Holdings (Bermuda) Limited which is incorporated in Bermuda, and Eastwood Overseas Corporation and Winton (B.V.I.) Limited which are incorporated in the British Virgin Islands, all other subsidiaries are incorporated in Hong Kong. All subsidiaries principally operate in Hong Kong.

Notes to Financial Statements

31 December 1999

21. INTERESTS IN SUBSIDIARIES (Cont'd)

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, granting of loans and issuing of credit cards
Funds Fit Limited	10,100,000	–	100	Investment holding
JCG Securities Limited	10,000,000	–	100	Securities dealing
JCG Nominees Limited	10,000	–	100	Nominee services
Winton Holdings (Bermuda) Limited	42,000,000	75	–	Investment holding
Eastwood Overseas Corporation	US\$1	–	75	Investment holding
Eternal Success Company Limited	20	–	75	Property holding
Keytop Investment Limited	2	–	75	Dormant
Lion Crown Company Limited	20	–	75	Dormant
Shuning Shing Limited	2	–	75	Dormant
Winsure Company, Limited	1,600,000	–	72.7	Dormant
Winton (B.V.I.) Limited	61,773	–	75	Investment and property holding
Winton Financial Limited	4,000,010	–	75	Provision of hire purchase financing and provision of personal and short term loans
Winton Financial (Factoring) Limited	1,000,000	–	75	Provision of hire purchase financing
Winton Investment Company (China) Limited	1,000,000	–	75	Investment holding and general trading

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21. INTERESTS IN SUBSIDIARIES (Cont'd)

Name	Nominal value of issued ordinary share capital HK\$	Percentage of equity attributable to the Company		Principal activities
		Direct	Indirect	
Winton Motors, Limited	78,000	-	75	Trading of taxis and public light buses and leasing of taxis
Winton Motors Trading Company Limited	2	-	75	Trading of taxis and public light buses
Winton Restaurant Limited	20	-	75	Investment holding
Winton Trading Company Limited	20	-	75	Trading of automobile accessories and spare parts
Worthy Park Company Limited	20	-	75	Dormant
Wu Shang Mei Winton (China) Investment Company Limited	100	-	67.5	Investment holding

22. INTERESTS IN ASSOCIATES

	Group	
	1999 HK\$'000	1998 HK\$'000
Share of net assets other than goodwill	8,550	9,030
Amount due from associates	10,290	10,898
	<u>18,840</u>	<u>19,928</u>

Amount due from associates is unsecured, interest bearing at the prevailing market rate in the Mainland China and repayable within one year.

Notes to Financial Statements

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22. INTERESTS IN ASSOCIATES (Cont'd)

Particulars of the Group's associates are as follows:

Name	Business structure	Place of registration	Percentage of ownership interest attributable to the Group		Principal activities
			1999	1998	
ZKW Enterprise (Group) Co., Ltd., Zhuhai Special Economic Zone	Corporate	The People's Republic of China	30	30	Investment holding, general trading and automobile repairs centre
Zhangjiagang Rixing Freight & Storage Co., Ltd.	Corporate	The People's Republic of China	33.8	33.8	Cargo handling and transportation
Zhuhai Winton Restaurant Limited	Corporate	The People's Republic of China	30	30	Restaurant operations

23. CUSTOMER DEPOSITS

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

	Group	
	1999 HK\$'000	1998 HK\$'000
Repayable:		
On demand	3,957	3,770
Three months or less	1,030,077	895,037
One year or less but over three months	268,231	104,455
Five years or less but over one year	2,116	102
	<u>1,304,381</u>	<u>1,003,364</u>

Deposits were accepted from a fellow subsidiary in the ordinary course of business and under normal commercial terms, which amounted to HK\$330,740,000 at the balance sheet date (1998: Nil).

24. DEPOSITS FROM A FINANCIAL INSTITUTION

The maturity profile of deposits from a financial institution at the balance sheet date is analysed into the remaining periods to their contractual maturity dates as follows:

	Group	
	1999 HK\$'000	1998 HK\$'000
Repayable:		
Three months or less	–	166,247
One year or less but over three months	–	146,782
	–	313,029

Last year, deposits were accepted from a fellow subsidiary in the ordinary course of business and under normal commercial terms.

25. INTEREST-BEARING BANK BORROWINGS

	Group	
	1999 HK\$'000	1998 HK\$'000
Bank overdrafts	4,395	2,885
Mortgage loan	–	5,000
Trust receipt loans	–	2,484
Bank loans	974,806	1,074,394
	979,201	1,084,763
Bank overdrafts:		
Secured	4,395	2,885
Bank loans:		
Secured	175,392	290,527
Unsecured	799,414	791,351
	979,201	1,084,763

Included in bank loans were loans amounting to HK\$799,414,000 (1998: HK\$750,000,000) obtained from a fellow subsidiary.

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25. INTEREST-BEARING BANK BORROWINGS (Cont'd)

	Group	
	1999	1998
	HK\$'000	HK\$'000
Bank overdrafts repayable on demand or within one year	4,395	2,885
Bank loans repayable:		
Within one year	104,159	182,846
In the second year	870,647	760,552
In the third to fifth years, inclusive	–	138,480
	<u>974,806</u>	<u>1,081,878</u>
	979,201	1,084,763
Portion classified as current liabilities	<u>(108,554)</u>	<u>(185,731)</u>
Long term portion	<u>870,647</u>	<u>899,032</u>

Certain of the Group's banking facilities are secured by:

- (i) A placement with a bank amounting to HK\$5,000,000 (1998: HK\$5,000,000) (*note 15*). The facility has not been utilised at the balance sheet date.
- (ii) Fixed charges over certain of the Group's loans and advances (*note 7*).
- (iii) First legal charges on certain leasehold land and buildings of the Group with an aggregate net book value at the balance sheet date of approximately HK\$54,256,000 (1998: HK\$55,724,000) (*note 19*).
- (iv) First legal charges on certain investment properties of the Group situated in Hong Kong with an aggregate carrying value at the balance sheet date of approximately HK\$29,508,000 (1998: HK\$29,158,000) (*note 20*).
- (v) Fixed charges on certain of inventories with an aggregate amount totaling HK\$20,731,000 (1998: HK\$38,266,000) (*note 18*).

26. OTHER LIABILITIES

	Notes	Group		Company	
		1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Creditors, accruals and interest payable		105,076	117,809	462	470
Amount due to the ultimate holding company		44	-	-	-
Tax payable		78,451	70,739	169	585
Proposed final dividend	13	88,378	88,373	88,378	88,373
Provision for long service payments		6,920	7,996	-	-
Deferred tax	27	10,690	10,690	-	-
		<u>289,559</u>	<u>295,607</u>	<u>89,009</u>	<u>89,428</u>

Included in the creditors, accruals and interest payable were interest payable of HK\$4,879,000 (1998:Nil) to fixed deposits placed with JCG Finance from a fellow subsidiary.

27. DEFERRED TAX

	Group	
	1999 HK\$'000	1998 HK\$'000
Balance at beginning of year	10,690	30,254
Credit for the year	-	(19,564)
Balance at 31 December	<u>10,690</u>	<u>10,690</u>

The principal components of the Group's provision for deferred tax, and the amounts not provided for are as follows:

	Provided		Unprovided	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Commission expenses claimed over amount amortised	10,690	10,690	-	-
Unutilised tax losses	-	-	(117,842)	(109,375)
	<u>10,690</u>	<u>10,690</u>	<u>(117,842)</u>	<u>(109,375)</u>

There are no significant potential deferred tax liabilities for which a provision has not been made.

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

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28. LOANS TO DIRECTORS AND OFFICERS

Loans to directors and officers by JCG Finance, a deposit taking company, disclosed pursuant to Section 161B(4C) of the Companies Ordinance are as follows:

	Group	
	1999	1998
	HK\$'000	HK\$'000
Aggregate amount of principal and interest outstanding at the end of year	7,065	7,418
Maximum aggregate amount of principal and interest outstanding during the year	7,418	7,661

29. SHARE CAPITAL

	1999	1998
	HK\$'000	HK\$'000
Ordinary shares		
<i>Authorised:</i>		
1,000,000,000 (1998: 1,000,000,000) ordinary shares of HK\$0.10 each	100,000	100,000
<i>Issued and fully paid:</i>		
707,022,412 (1998: 706,982,412) ordinary shares of HK\$0.10 each	70,702	70,698

Share options

Pursuant to the Share Option Scheme for Employees (the "Scheme") duly approved on 20 March 1997, the directors may, at their discretion, invite full time employees of the Group, including executive directors, to take up options to subscribe for shares in the Company, subject to:

- the maximum number of share options under the Scheme may not, when aggregated with any securities subject to any other share option scheme(s) of the Company and/or its subsidiaries, exceed 10% of the number of issued shares of the Company from time to time excluding the aggregate number of shares which are issued pursuant to the Scheme and any outstanding options granted under another Share Option Scheme for Employees which was duly approved on 11 September 1991, and lapsed on 10 September 1996; and
- 50% of the options are exercisable two years after 5 July 1997 and the remaining 50% of the options are exercisable three years after 5 July 1997. The last day to exercise the options is 4 July 2002.

At the beginning of the year, the Company had outstanding options granted in accordance with the terms of the Scheme entitling executive directors and employees thereof to subscribe for 286,000 and 30,218,000 ordinary shares, respectively, of HK\$0.10 each in the Company at HK\$4.77 per share.

During the year, no options to subscribe for shares in the Company were granted to any of the directors or employees.

During the year, 40,000 share options were exercised by employees and 4,526,000 share options were cancelled. Hence, there were 25,938,000 share options outstanding as at 31 December 1999.

30. RESERVES

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Group							
At 1 January 1998	1,207,013	770	96,116	86,844	428	870,975	2,262,146
Arising on repurchase of shares	(1,043)	59	-	-	-	(59)	(1,043)
Profit for the year	-	-	-	-	-	254,338	254,338
Dividends (<i>note 13</i>)	-	-	-	-	-	(141,269)	(141,269)
At 31 December 1998 and 1 January 1999	1,205,970	829	96,116	86,844	428	983,985	2,374,172
Premium arising on share options exercised	187	-	-	-	-	-	187
Profit for the year	-	-	-	-	-	365,338	365,338
Dividends (<i>note 13</i>)	-	-	-	-	-	(141,405)	(141,405)
At 31 December 1999	1,206,157	829	96,116	86,844	428	1,207,918	2,598,292
Reserves retained by:							
Company and subsidiaries	1,206,157	829	96,116	86,844	-	1,220,323	2,610,269
Associates	-	-	-	-	428	(12,405)	(11,977)
At 31 December 1999	1,206,157	829	96,116	86,844	428	1,207,918	2,598,292
Company and subsidiaries	1,205,970	829	96,116	86,844	-	995,910	2,385,669
Associates	-	-	-	-	428	(11,925)	(11,497)
At 31 December 1998	1,205,970	829	96,116	86,844	428	983,985	2,374,172
Company							
At 1 January 1998	1,207,013	770	194,524	-	-	63,700	1,466,007
Arising on repurchase of shares	(1,043)	59	-	-	-	(59)	(1,043)
Profit for the year	-	-	-	-	-	197,307	197,307
Dividends (<i>note 13</i>)	-	-	-	-	-	(141,269)	(141,269)
At 31 December 1998 and 1 January 1999	1,205,970	829	194,524	-	-	119,679	1,521,002
Premium arising on share options exercised	187	-	-	-	-	-	187
Profit for the year	-	-	-	-	-	217,426	217,426
Dividends (<i>note 13</i>)	-	-	-	-	-	(141,405)	(141,405)
At 31 December 1999	1,206,157	829	194,524	-	-	195,700	1,597,210

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

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

Notes to Financial Statements

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31. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before tax to net cash inflow from operating activities

	Group	
	1999 HK\$'000	1998 HK\$'000
Profit before tax	433,782	254,614
Depreciation	8,835	11,325
Loss on disposal of fixed assets	133	167
(Decrease)/increase of provisions for bad and doubtful debts	(102,981)	272,901
Amortisation and write-off of commission expenses	39,119	44,297
Provision for diminution in value of inventories of taxi licences	24	2,641
Provision for loss on amount due from an associate	-	6,351
Gain on disposal of interest in an associate	-	(1,100)
Share of results from associates	480	6,833
Deficit on revaluation of investment properties	6,299	46,402
Increase in other debtors, interest receivable, deposits and prepayments	(164,829)	(46,864)
Decrease in creditors, accruals and interest payable	(12,733)	(25,078)
(Decrease)/increase in provision for long service payments	(1,076)	2,297
Decrease/(increase) in amount due from associates	608	(1,747)
Decrease in inventories	44,064	74,412
Decrease in deferred expenditure	6,150	66,411
Decrease in bank borrowings	(104,588)	(129,322)
Increase/(decrease) in amount due to the ultimate holding company	134	(382)
Net cash inflow from trading activities	153,421	584,158
(Decrease)/increase in deposits from a financial institution	(313,029)	3,766
Increase in customer deposits	301,017	185,242
Decrease/(increase) in loans and advances	519,211	(327,234)
Net cash inflow from operating activities	660,620	445,932

31. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Analysis of changes in financing during the year

	Group	
	Share capital (including premium) HK\$'000	Minority interests HK\$'000
Balance at 1 January 1998	1,277,770	228,574
Transfer to capital redemption reserve	(59)	–
Repurchase of shares	(1,043)	–
Share of losses for the year	–	(38,505)
Dividends paid to minority interests	–	(1,078)
Balance at 31 December 1998 and 1 January 1999	1,276,668	188,991
Shares issued by exercise of share options	191	–
Shares of losses for the year	–	(16,388)
Dividends paid to minority interests	–	(30)
Balance at 31 December 1999	1,276,859	172,573

32. COMMITMENTS

	Group	
	1999 HK\$'000	1998 HK\$'000
Capital commitments:		
Authorised, but not contracted for	–	–
Contracted for, but not provided in the financial statements		
– Purchases of fixed assets	11,300	1,704
– Others	105	34
	11,405	1,738
Annual commitments payable in the following year under non-cancellable operating leases for land and buildings expiring:		
Within one year	4,882	8,111
In the second to fifth years, inclusive	12,103	14,524
	16,985	22,635

The Company had no material outstanding commitments at the balance sheet date.

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33. UNDRAWN LOAN FACILITIES

The undrawn loan facilities relate to customers of JCG Finance.

	Group			
	1999		1998	
	Contractual amount	Risk weighted amount	Contractual amount	Risk weighted amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
With an original maturity of under one year or which are unconditionally cancellable	143,096	-	173,344	-

Included in the undrawn loan facilities were HK\$95,000,000 (1998: HK\$100,000,000) and HK\$20,000,000 (1998: HK\$20,000,000) facilities granted to Winton Group and JCG Securities Limited, respectively.

During the year, no derivative activities were transacted.

34. CONTINGENT LIABILITIES

	Group		Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(a) Guarantees under the co-financing arrangements given to				
- Ultimate holding company	770	171	-	-
- Other co-financing banks	29,414	47,207	-	-
	30,184	47,378	-	-

(b) At the balance sheet date, certain ex-employees of restaurants formerly operated by the Group in Hong Kong have given notice of intention to proceed to claim their alleged leave entitlements totalling HK\$3,500,000. The directors consider monthly salaries paid to these employees had already included the leave entitlements as stipulated in the employment contracts. The Group's legal advisers are of the opinion that the Group has valid defences for the above litigation and accordingly, no provision in respect thereof has been made.

(c) A claim for damages of HK\$2,215,000 relating to injuries sustained in a traffic accident has been instituted by a plaintiff against a subsidiary of the Company as owner of the taxi involved which was leased to a taxi driver. The claim is being attended to by the insurance company and is fully covered. Accordingly, no provision in respect thereof has been made.

35. POST BALANCE SHEET EVENTS

Proposed Open Offer of Winton and the Underwriting Agreement

Winton, a 75% owned subsidiary of the Company, has announced in the press announcement dated 28 December 1999 (the "Announcement") and in the circular dated 17 January 2000 (the "Circular") the proposed open offer (the "Open Offer") to its existing shareholders of 924,000,000 convertible preference shares ("Convertible Preference Shares") of HK\$0.10 each at the subscription price of HK\$0.33 each in the proportion of eleven Convertible Preference Shares for every five ordinary shares held. The Convertible Preference Shares will be non-voting and redeemable, and the holders shall be entitled to a fixed cumulative preferential dividend at the rate of 5.5% per annum on the notional value of HK\$0.33 each. The net proceeds of approximately HK\$303 million are intended to be applied as general working capital of Winton. As set out in the Announcement and the Circular, the proposed Open Offer is subject to certain conditions to be fulfilled and the approval of the independent shareholders other than the Company and its associates (as defined in the Listing Rules) in the special general meeting of Winton to be held on 10 February 2000. Details of the terms of the Convertible Preference Shares are stated in the Announcement and the Circular.

As set out in the Announcement and the Circular, the Company has irrevocably undertaken to accept its entitlement in respect of the Open Offer in full, representing 692,999,835 Convertible Preference Shares. In addition, an underwriting agreement (the "Underwriting Agreement") has been entered into between the Company and Winton on 23 December 1999. Under the terms of the Underwriting Agreement, the Company will underwrite the balance of not more than 231,000,165 Convertible Preference Shares. As the Company does not underwrite issues of securities in its normal course of business, no fee or underwriting commission will be received under the Underwriting Agreement.

36. RELATED PARTY TRANSACTIONS

A portion of the Group's business is represented by transactions to which other members of the Public Bank Berhad group are parties. The significant transactions are summarised below.

	Notes	Group	
		1999 HK\$'000	1998 HK\$'000
Interest paid to the ultimate holding company	(a)	40	5,753
Commission received from the ultimate holding company	(a)	122	4,389
Interest paid to fellow subsidiaries	(b)	87,388	102,053
Rental income received from the ultimate holding company	(c)	1,193	1,504
Management fees received from the ultimate holding company	(d)	298	340
Interest income from associates	(e)	2,353	2,285
Provision for loss on amount due from an associate	(f)	-	6,351

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36. RELATED PARTY TRANSACTIONS (Cont'd)

- (a) These transactions arose from the Co-Financing Arrangement with Public Bank. During the year, no new hire purchase loan (1998: HK\$9,792,000) was granted by the Group under the Co-Financing Arrangement with Public Bank. The directors considered that the terms of the Co-Financing Arrangement with Public Bank are essentially the same as those the Group has with other co-financing banks. Details of these transactions are set out under the "Connected Transactions" section in the Report of the Directors.
- (b) Deposits were accepted from Public Bank (L) Ltd ("PBL") and PB Trust Co. Sdn Bhd during the year, in the ordinary course of business and under normal commercial terms (*notes 23 and 24*).

In addition, PBL granted loans to the Group during the year. The principal amount of the loans were utilised up to HK\$799,414,000 (1998: HK\$750,000,000) at the balance sheet date (*note 25*).

- (c) The rental income was derived from properties included in investment properties and fixed assets, which were rented to:
- (i) Public Bank as its staff quarters. The related Tenancy Agreement was made on 23 July 1997 and renewed on 1 August 1999 for a term of three years at a monthly rental of HK\$22,000; and
 - (ii) Public Bank as its office. The related Lease Arrangement was made on 1 September 1995 and renewed on 31 August 1998 for a term of two years at a monthly rental of HK\$71,550.
- (d) The management fees arose from accounting and 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) The interest income arose from the amount due from associates (*note 22*).
- (f) The amount represented provision for loss on the amount due from an associate, and recoverability of which was doubtful. Accordingly, full provision was made in 1998.

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

37. COMPARATIVE FIGURES

As further explained in note 2 to the financial statements, due to the adoption of new SSAPs during the current year, the presentation of the profit and loss account, the balance sheets and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative figures have been reclassified to conform with the current year's presentation.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 29 January 2000.