



JCG HOLDINGS LIMITED



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# Corporate Information

## **Board of Directors**

### *Chairman*

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

Tan Yoke Kong  
Y. Bhg. 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  
Telephone : (852) 2525 9351  
Facsimile : (852) 2845 0681  
Website : [www.jcg.com.hk](http://www.jcg.com.hk)

## **Principal Registrar**

Butterfield Corporate Services Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

## **Hong Kong Branch Registrar**

Tengis Limited  
4/F Hutchison House  
10 Harcourt Road  
Hong Kong

## **Auditors**

Ernst & Young  
Certified Public Accountants

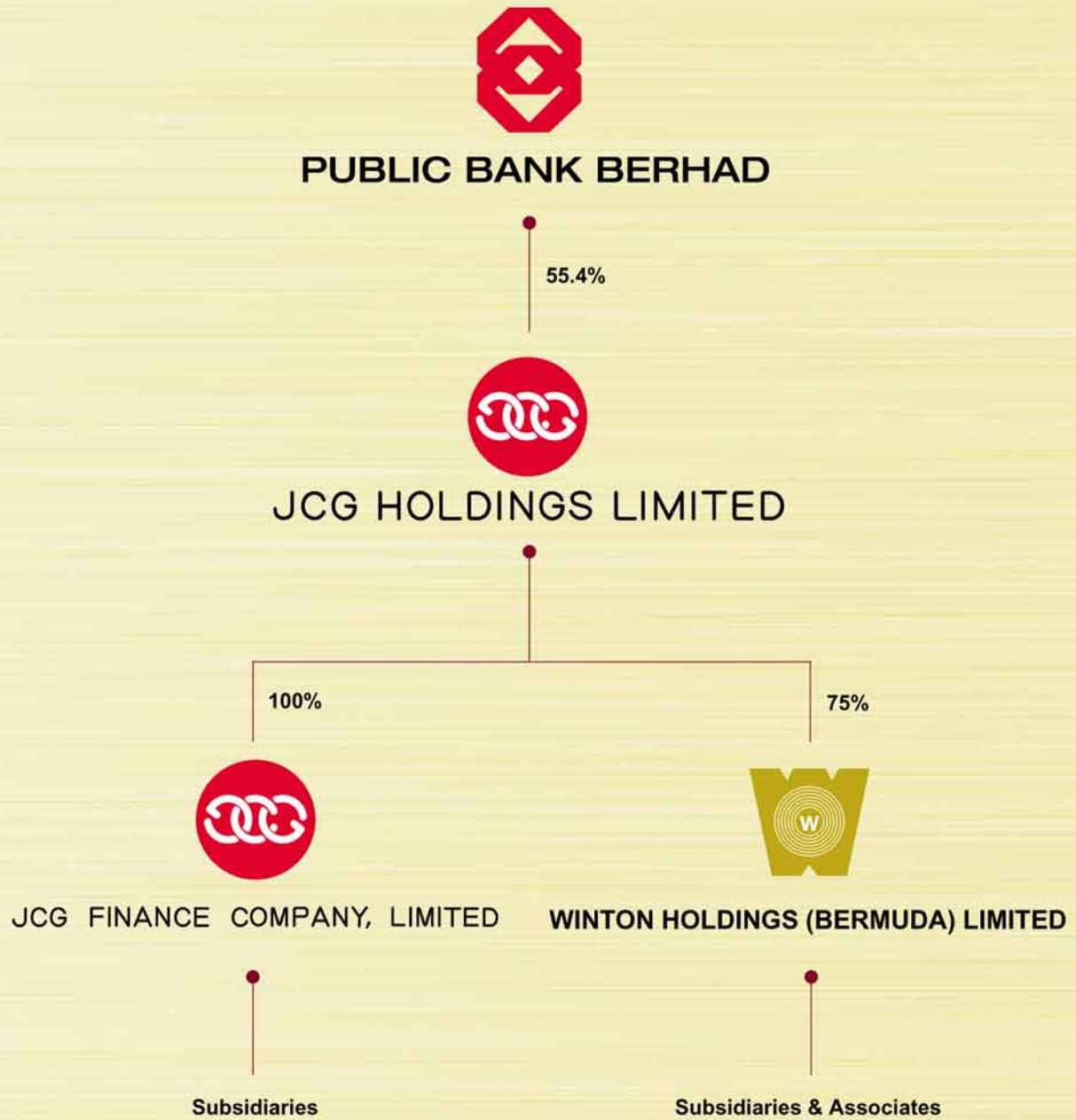
## **Legal Advisers**

CMS Cameron Mckenna  
Conyers Dill & Pearman  
Deacons Graham & James  
P.C. Woo & Co

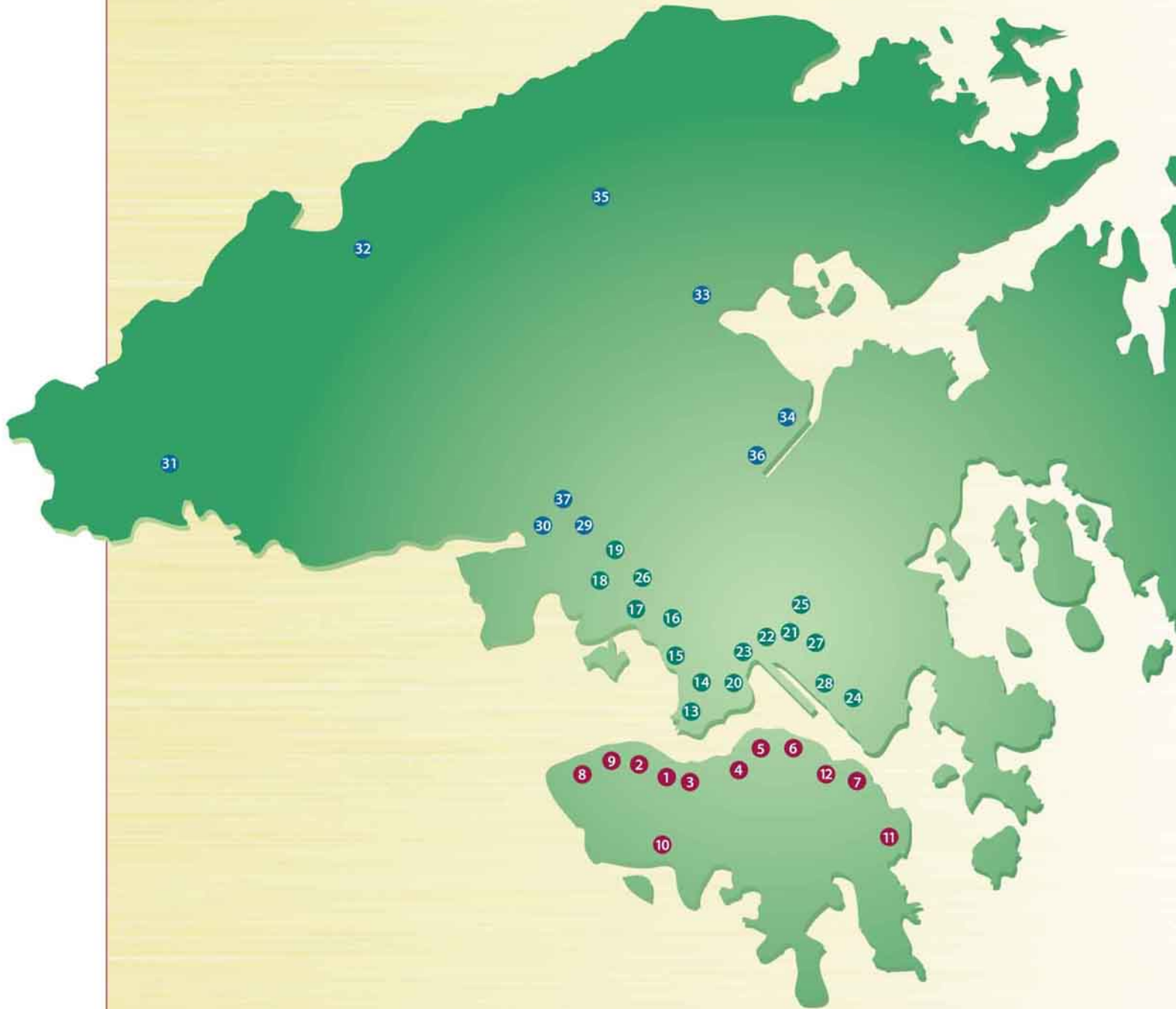
## **Principal Bankers**

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

# JCG Holdings Limited – Group Structure



# JCG Finance Company, Limited – Branch Network



# JCG Finance Company, Limited – Branch Network

## Hong Kong

- 1 Main Office**  
Room 1907, Gloucester Tower  
The Landmark, Central  
Tel: 25266415 Fax: 28779088  
Manager: Paul Wong Chun Pui
- 2 Central Branch**  
Room 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, Foo Tak Building  
365 Hennessy Road, Wanchai  
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 No.1, G/F, Wah Hing Building  
449-455 King's Road, North Point  
Tel: 25610160 Fax: 28563647  
Manager: Arthur Ng Siu Kwan
- 7 Shaukelwan Branch**  
G/F, 134 Shaukelwan 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 No. 51-53, 1/F, Harbour Crystal Center  
100 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 Shamshuipo Branch**  
G/F, Shop B, Wing Sing Building  
27 Castle Peak Road  
Tel: 27282347 Fax: 27299685  
Manager: Peter Chan Chiu Ming
- 19 Cheung Sha Wan Branch**  
Unit 105, 1/F, Cheung Sha Wan Plaza  
833, Cheung Sha Wan Road  
Tel: 27445416 Fax: 27853634  
Manager: Ethan Man Wing Sun
- 20 Hunghom 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, Block A, Wang Kwong House  
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

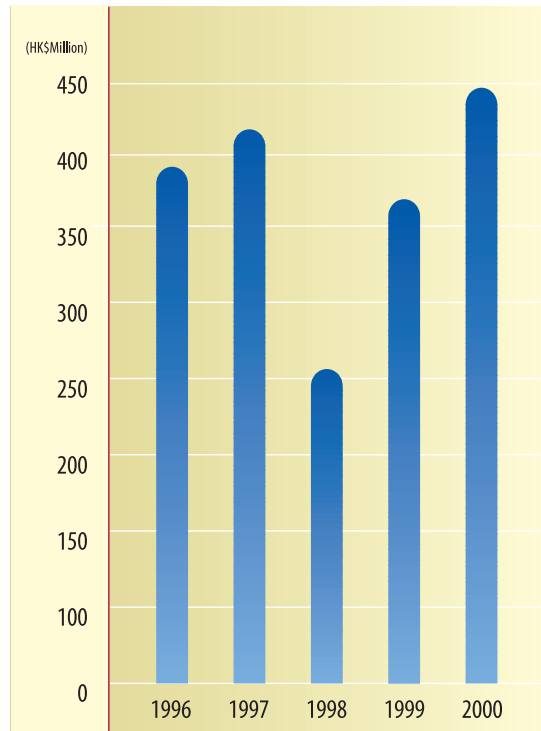
## New Territories

- 29 Kwai Chung Branch**  
Shop 301, 3/F  
Kwai Chung Plaza  
7-11 Kwai Foo Road  
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

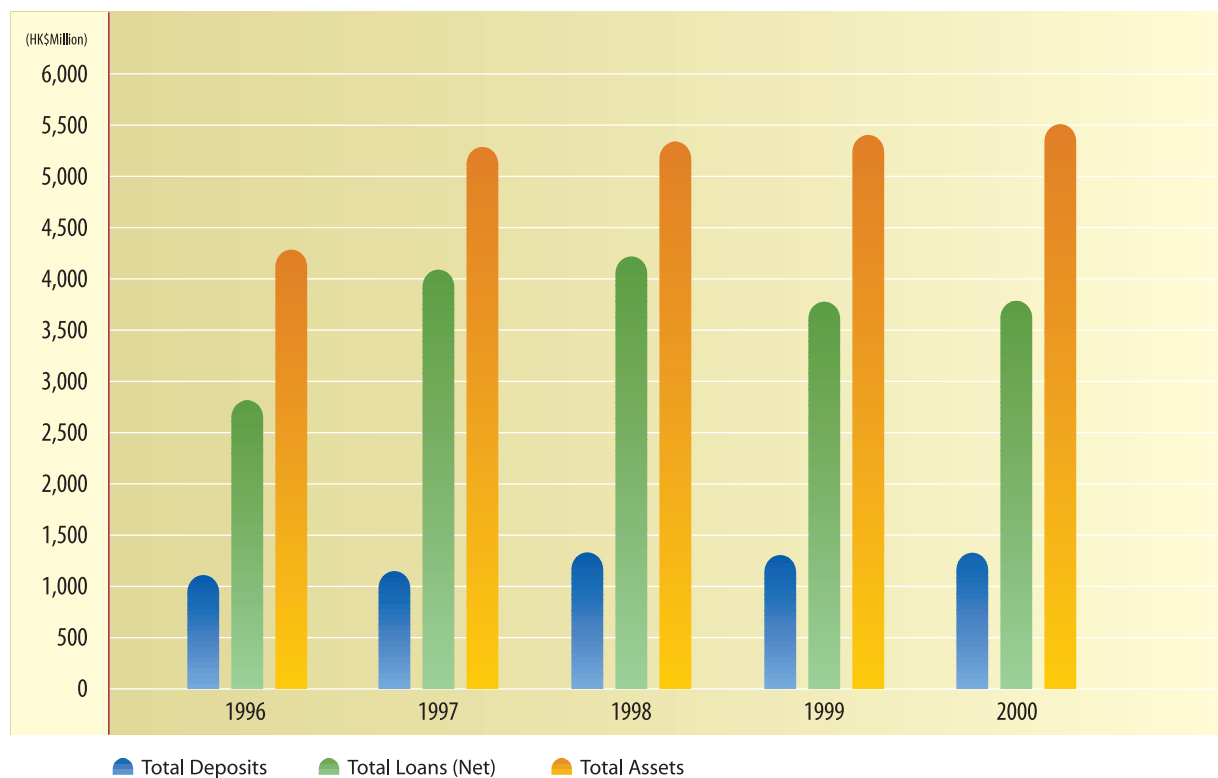
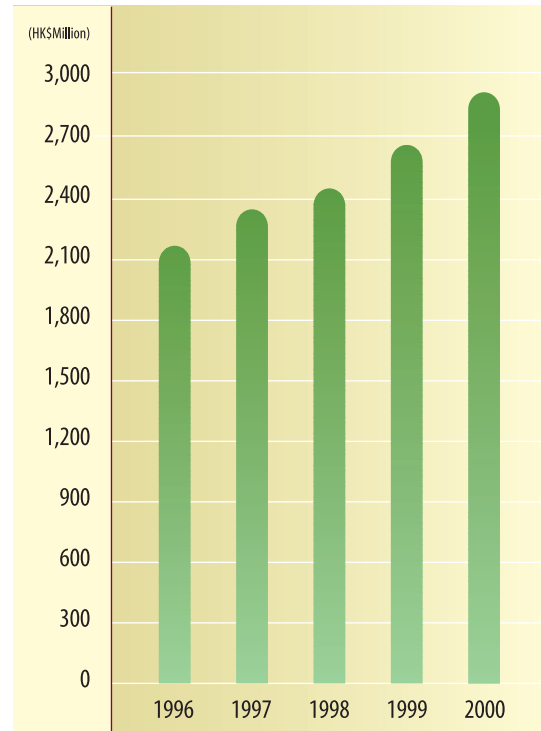
# Five Year Financial Summary

31 December 2000

## Net Profit



## Shareholders' Funds



■ Total Deposits   
 ■ Total Loans (Net)   
 ■ Total Assets

# Five Year Financial Summary

31 December 2000

## 2000 Financial Highlights

Net profit:	HK\$446.6m	+22.3%
Loans and advances (net):	HK\$3,773.0m	+0.4%
Customer deposits:	HK\$1,318.8m	+1.1%
Shareholders' funds:	HK\$2,902.3m	+8.7%
Earnings per share:	63.2 cents	+22.3%
Total dividends per share:	32.0 cents	+60.0%
(Final dividend: 24.0 Cents)		

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 below. The financial information of the Winton Group has been consolidated since its acquisition in 1996.

	Year ended 31 December				
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
Loans and advances (net)	<b>3,772,985</b>	3,756,770	4,173,000	4,118,667	2,825,344
Other assets	<b>1,729,223</b>	1,657,938	1,157,624	1,166,702	1,477,025
Total assets	<b>5,502,208</b>	5,414,708	5,330,624	5,285,369	4,302,369
Customer deposits	<b>1,318,818</b>	1,304,381	1,003,364	818,122	814,099
Deposit from a financial institution	–	–	313,029	309,263	257,605
Other liabilities	<b>1,090,305</b>	1,268,760	1,380,370	1,596,507	859,617
Total liabilities	<b>2,409,123</b>	2,573,141	2,696,763	2,723,892	1,931,321
Net assets	<b>3,093,085</b>	2,841,567	2,633,861	2,561,477	2,371,048
Shareholders' funds	<b>2,902,257</b>	2,668,994	2,444,870	2,332,903	2,146,864
Minority interests	<b>190,828</b>	172,573	188,991	228,574	224,184
Total capital resources	<b>3,093,085</b>	2,841,567	2,633,861	2,561,477	2,371,048
Net profit attributable to shareholders	<b>446,638</b>	365,338	254,338	416,328	391,828
Basic earnings per share (cents)	<b>63.2</b>	51.7	36.0	58.3	54.8



# Chairman's Statement



**Tan Sri Dato' Dr. Teh Hong Piow, Chairman**

*“I am pleased to present a review of the results of the Group for the financial year ended 31 December 2000.”*

## **Group Performance**

JCG Holdings Limited (the “Company”) and its subsidiaries (the “Group”) achieved a growth in profit after tax and minority interests of 22.3% or HK\$81.3 million to HK\$446.6 million for the year ended 31 December 2000. The Group’s earnings per share increased to a record high of 63.2 cents per share from 51.7 cents per share in 1999.

With a proposed final dividend of 24.0 cents (1999: 12.5 cents) per share and the interim dividend of 8.0 cents (1999: 7.5 cents) per share already paid, the total dividend for the year was 32.0 cents per share, which is 60% higher than the previous year’s total dividend of 20.0 cents per share.

The 22.3% growth in profit of the Group was mainly attributed to the continued growth in profit after tax from its wholly-owned subsidiary, JCG Finance Company, Limited (“JCG Finance”), and the turnaround of its 75% owned subsidiary,

Winton Holdings (Bermuda) Limited (“Winton”) and its subsidiaries (“Winton Group”). For the year ended 31 December 2000, Winton Group rebounded sharply from a loss of HK\$65.6 million in 1999, to a profit after tax and minority interests of HK\$4.9 million.

The Group’s net interest income recorded a moderate increase of 5.0% to HK\$778.5 million from HK\$741.2 million in 1999. During the year, the Group’s interest income increased to HK\$945.0 million, which resulted mainly from a growth in gross loans and advances of JCG Finance by 11.2% or HK\$318.0 million. However, a decrease in gross loans and advances of Winton Group by 25.3% or HK\$323.3 million narrowed the increase in the Group’s interest income to 2.3% or HK\$21.1 million. During the year, the Group’s interest expenses fell by 8.9% or HK\$16.2 million to HK\$166.5 million from HK\$182.7 million in 1999 mainly due to lower cost of customers deposits of JCG Finance, and decline in bank borrowings of Winton Group.

## **Group Performance (Continued)**

The Group's other operating income increased by 10.7% or HK\$20.9 million to HK\$216.0 million from HK\$195.1 million in 1999, due mainly to an increase in loans processing and related fees arising from the higher volume of consumer loans of JCG Finance, and increase in commission and other income from referrals of taxi financing loans and taxi trading activities of Winton Group.

During the year, the Group's operating expenses decreased slightly by HK\$0.2 million or 0.1% to HK\$234.1 million from HK\$234.3 million in 1999. The Group continued to exercise stringent cost control and was successful in keeping its operating expenses relatively unchanged over the previous year.

The Group continued to adopt a prudent and conservative provisioning policy for its bad and doubtful debts. During the year, the Group's net charge for bad and doubtful debts fell by 15.5% or HK\$41.4 million to HK\$226.3 million mainly due to a decrease in default of taxi financing loans of Winton Group. During the year, the improvement in income level of the taxi hirers, and the market condition and sentiment of the taxi industry have resulted in the decrease in default and repossession of taxis under the taxi financing loans.

During the year, amidst a weak property market and competitive lending environment, the Group's gross loans and advances were relatively unchanged at HK\$4,111.8 million, when compared to HK\$4,112.1 million at the end of 1999. JCG Finance continued to be the active contributor to the Group's growth in gross loans and advances. Although the property mortgage loans portfolio contracted, the aggressive advertising and promotions undertaken by JCG Finance to grow its consumer loans were successful. Accordingly, JCG Finance recorded growth in its gross loans and advances of 11.2% or HK\$318.0 million from the previous year. During the year, Winton Group's gross loans and advances contracted by 25.3% or HK\$323.3 million after taking into account bad debts written off of HK\$91.0 million. The decline in Winton Group's gross loans and advances was also due to loan repayments, early settlements of taxi financing loans and reduced volume of new taxi financing loans, amidst an environment of subdued taxi trading activities despite improved market sentiment in the taxi industry.

During the year, the Group managed its funding needs according to the demand for its loans and advances. Accordingly, JCG Finance's customer deposits (inclusive of deposits of HK\$94.6 million from the Company) grew by 8.4% or HK\$109.0 million to HK\$1,413.4 million as at 31 December 2000, while Winton Group reduced its bank borrowings by 22.3% or HK\$219.3 million to HK\$764.9 million as at 31 December 2000.

The shareholders' funds of the Group strengthened further by HK\$233.3 million or 8.7% to HK\$2,902.3 million as at 31 December 2000 mainly due to an increase in retained earnings.

## **Business Development**

JCG Finance continued to grow its core business of consumer loans whilst adopting prudent and stringent lending policies. During the year, JCG Finance extended its business hours at selected branches, purchased two branch premises for relocation of its existing branches, implemented the payment-by-phone service to allow customers a new convenient service channel to execute loan repayments, and launched a new customer service which allows customers to apply for personal loans through the internet. The above initiatives would provide JCG Finance's customers with greater convenience, improve the visibility of its branches, and expand its consumer loan services through the internet.

During the year, Winton Group increased the number of financial institutions on its panel of co-financing banks, thus, increasing its channels for referable financing and co-financing taxi financing loans.

# Chairman's Statement

## ***Human Resources Development***

During the year, the Group organised management seminars and professional courses to enhance the technical knowledge, decision-making skills and management skills of its staff. The Group also organised social activities and internal staff training programs to enhance morale and team spirit amongst the staff. Periodical dialogues were held between branch personnel and management to improve customer service, increase efficiencies of business operations, and for effective implementation of new business promotions for consumer loans. With a competent, continuously trained and cohesive work force, the Group is well positioned to meet new opportunities and challenges ahead.

## ***System Development***

The Group continually reviews new information technology for opportunities to upgrade and enhance its existing applications and operating systems to meet changing customer needs, and to enhance efficiencies within the Group.

During the year, the Group launched its website, thus, providing a new communication channel to our customers and business partners through the internet. At the same time, JCG Finance also launched its personal loan application through the internet, thereby extending added convenience to its customers.

## ***Prospects***

Hong Kong's economy is anticipated to grow and gain momentum in 2001, and the unemployment situation in Hong Kong is expected to continue to ease. Consumer confidence is expected to improve albeit moderately in the coming year, and thus, demand for consumer loans is expected to grow. JCG Finance will continue to focus on its core business in consumer loans, and will target to grow its consumer loans in selected market segments through more aggressive advertising and promotions and better customer service. With its extensive branch network, which includes strategically located branches, efficient customer service and new promotions, JCG Finance is well poised to meet the challenges and competition ahead for consumer loans.

The market sentiment in taxi financing is expected to be favourable, and Winton Group will focus on its taxi trading and taxi financing businesses. Winton Group looks forward to benefiting from the increased number of financial institutions on its panel of financiers and will actively pursue referable business and co-financing activities with them.

## ***Acknowledgement***

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 commitment, dedication and contributions. 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

Despite a challenging and competitive operating environment, the Group achieved a growth in net profit attributable to shareholders of 22.3% or HK\$81.3 million to HK\$446.6 million for the year ended 31 December 2000.

The above increase in net profit of the Group was mainly attributed to the continued growth in net profit after tax from its wholly-owned subsidiary, JCG Finance Company, Limited ("JCG Finance") and a rebound to net profit after tax and minority interests achieved by its 75% owned subsidiary, Winton Holdings (Bermuda) Limited ("Winton") and its subsidiaries ("Winton Group"), of HK\$4.9 million from a loss of HK\$65.6 million in 1999.

During the year, JCG Finance continued to focus on and grow its core business in the provision of consumer loans to working individuals in Hong Kong, whilst Winton Group focused on its taxi financing and taxi trading businesses.

## Key Financial Highlights

The Group's profit after tax and minority interests increased to HK\$446.6 million for the year ended 31 December 2000, representing a growth of 22.3% or HK\$81.3 million over the previous year. Accordingly, the Group's earnings per share increased by 11.5 cents per share to a record high of 63.2 cents per share in 2000 from 51.7 cents per share in 1999.

The increase in the Group's profit after tax was mainly attributed to an increase in net interest income by HK\$37.3 million, a decrease in provisions for bad and doubtful debts by HK\$41.4 million due to lower default in taxi financing loans of Winton Group, and an increase in non-interest operating income by HK\$20.9 million from increase in loans processing and related fees of JCG Finance and increase in commission and other income from taxi related operations of Winton Group.

As at 31 December 2000, JCG Finance's gross loans and advances grew by 11.2% or HK\$318.0 million to HK\$3,157.3 million; whilst Winton Group's gross loans and advances contracted by 25.3% or HK\$323.3 million to HK\$954.5 million. During the year, bad and doubtful debts amounted to HK\$158.9 million and HK\$91.0 million were written off by JCG Finance and Winton Group, respectively. At the end of 2000, the Group's total gross loans and advances remained at about the same level at HK\$4,111.8 million as compared to HK\$4,112.1 million at the end of 1999.

The directors recommended the payment of a final dividend of 24.0 cents per share. Together with the interim dividend of 8.0 cents per share already paid, the total dividends for the year ended 31 December 2000 amounted to 32.0 cents per share, which is 60% higher than the total dividends of 20.0 cents per share for 1999.

## Performance of Business Operations

### Operating Income

The Group's operating income for the year ended 31 December 2000 consisted of net interest income and other non-interest operating income, comprising 78.3% and 21.7%, respectively of total operating income.

The Group's net interest income recorded a moderate increase of 5.0% or HK\$37.3 million to HK\$778.5 million, as a result of a marginal increase in interest income of 2.3% and a reduction in interest expenses of 8.9% when compared to 1999. During the year, the Group's interest income increased to HK\$945.0 million from HK\$923.9 million in 1999 mainly from increase in gross loans and advances by 11.2% or HK\$318.0 million of JCG Finance. However, Winton Group's interest income declined by 7.3% or HK\$12.9 million to HK\$163.6 million in 2000 from HK\$176.5 million in 1999. The decline in Winton Group's interest income was mainly due to the decline in taxi financing loans by 25.3% or HK\$323.3 million. At the end of 2000, the Group's interest expenses fell by HK\$16.2 million to HK\$166.5 million from HK\$182.7 million in 1999, mainly due to lower cost of customer deposits of JCG Finance, and a decline in bank borrowings by 22.3% or HK\$219.3 million of Winton Group.

The Group's other non-interest operating income grew by 10.7% or HK\$20.9 million to HK\$216.0 million in 2000 from HK\$195.1 million in 1999, mainly from increase in loans processing and related fees of JCG Finance, and increase in commission and other income from referrals of taxi financing loans and taxi trading activities of Winton Group.

# Management Discussion and Analysis

## Operating Expenses

The Group's operating expenses decreased slightly from HK\$234.3 million in 1999 to HK\$234.1 million in 2000. During the year, the Group's staff costs declined marginally to HK\$105.3 million from HK\$107.7 million in 1999 as Winton Group continued to consolidate its workforce. During the same period, the Group's rental costs declined by HK\$4.5 million to HK\$20.7 million from HK\$25.2 million in 1999 as the Group successfully negotiated for rental reduction on renewal of tenancy agreements of its leased premises. The amortisation and write off of commission expenses relating to Winton Group's taxi financing business also fell by HK\$26.0 million to HK\$13.1 million in 2000 due to lower volume of new taxi financing loans.

## Provisions for Bad and Doubtful Debts

During the year, the Group continued to adopt a prudent and conservative provisioning policy. The provisions of bad and doubtful debts of the Group fell by 15.5% or HK\$41.4 million to HK\$226.3 million in 2000 from HK\$267.7 million in 1999, mainly due to decrease in default of taxi financing loans of Winton Group.

## Balance Sheet Analysis

### Loans and Advances

At the end of 2000, the Group's total gross loans and advances decreased slightly by HK\$0.3 million to HK\$4,111.8 million from HK\$4,112.1 million at the end of 1999. JCG Finance's gross loans and advances grew by 11.2% or HK\$318.0 million to HK\$3,157.3 million in 2000 from HK\$2,839.3 million in 1999. Winton Group's gross loans and advances decreased by 25.3% or HK\$323.3 million mainly due to bad debts written off of HK\$91.0 million, loans repayments and early settlement of taxi financing loans. JCG Finance continued to focus on granting consumer loans to selected market segments, and recorded a positive growth in its consumer loans; whilst its property mortgage loans contracted in 2000 due to lower volume of new loan business.

At the end of 2000, the Group's non-performing loans were approximately 7.9% of the total gross loans and advances, as compared to 8.3% at the end of 1999. The above non-performing loans in 2000 included property mortgage loans and taxi financing loans of HK\$167.4 million and HK\$29.0 million, respectively, which were secured by properties, taxi cabs and taxi licences. Specific provisions of HK\$61.1 million and HK\$12.0 million have been made against these property mortgage loans and taxi financing loans, respectively.

### Funding and Capital Financing

JCG Finance relied principally on its internally generated capital and customer deposits to fund its business. The principal source of internally generated capital is from retained earnings. During the year, the increase in JCG Finance's loans and advances of HK\$318.0 million was funded mainly from increase in retained earnings by HK\$217.0 million to HK\$1,366.4 million, and from increase in customer deposits (inclusive of deposits of HK\$94.6 million from the Company) by HK\$109.0 million to HK\$1,413.4 million. At the end of 2000, JCG Finance's capital adequacy ratio remained strong at 63.6% while its average liquidity ratio for 2000 remained high at 138.4%.

During the year, Winton Group raised HK\$304.9 million through the issue of convertible preference shares, and thereby increased its shareholders' funds to HK\$985.2 million. Winton Group funded its loans and advances through existing shareholders funds and bank borrowings. However, Winton Group's loans and advances contracted by HK\$323.3 million in 2000, and consequently its demand for funding also fell. During the year, Winton Group repaid HK\$219.3 million of its bank borrowings, and reduced its bank borrowings to HK\$764.9 million at the end of 2000. Based on bank borrowings and shareholders funds, Winton Group's gearing ratio improved to 0.78 at the end of 2000 from 1.43 at the end of 1999.

In determining dividend payments, consideration is given to rewarding shareholders with dividend income and retaining funds for future business development and expansion. For the year ended 31 December 2000, the directors recommended the payment of a final dividend of 24.0 cents per share. Together with the interim dividend of 8.0 cents per share already paid, the total dividends for the year amounted to 32.0 cents per share, giving a dividend payout ratio of 50.7%.

During the year, the Group did not incur any material capital expenditure commitment. Other than those disclosed in the financial statements in 1999, the Group did not create additional charges on its assets to secure banking facilities.

The Group's principal operations are transacted and recorded in Hong Kong dollars. During the year, the Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its balance sheet exposures.

# Management Discussion and Analysis

## ***Business Development and Expansion***

JCG Finance will continue to focus on and expand its core business of consumer loans whilst exercising prudent and stringent lending policies, and Winton Group will focus on its taxi financing and taxi trading businesses. During the year, JCG Finance extended its business hours at selected branches for better convenience of customers, and purchased two branch premises for relocation of its existing branches for better visibility and accessibility. JCG Finance also implemented the payment by phone service to allow customers a new means of loan repayments, and launched a new customer service which allows customers to apply for personal loans through the internet. With the above initiatives already implemented, JCG Finance's customers will enjoy greater convenience and accessibility, and improved customer services.

During the year, Winton Group increased the number of financial institutions on its panel of co-financing banks, thus, increasing its channels for referring and co-financing taxi financing loans.

## ***Human Resources***

The Group recognised human resources as the most important asset and rewarded staff through competitive remuneration packages, performance incentive bonus system and other fringe benefits. In addition, a well-defined and performance oriented appraisal scheme was implemented to recognise and reward performing and competent staff, and earmark them for future career development.

Staff were also encouraged and sponsored to enroll in external training courses, seminars and professional and technical courses to update their technical job knowledge and skills, to increase their awareness of market and technological changes, and to improve their business acumen.

Social activities and staff integration programs were also organised to enhance morale and to foster team spirit amongst staff. Periodical discussions and dialogues between branch personnel and management were held to improve customer service, increase efficiencies of business operations and to ensure new business promotions for consumer loans were implemented. With a competent, cohesive and well-trained work force, the Group is well positioned to meet new opportunities and challenges ahead.

As at end of 2000, the Group has a relatively stable staff force of over 500 people.

## ***Contingent Liabilities***

Winton Group provides guarantees to its co-financing banks under the co-financing arrangements for taxi financing loans. At the end of the year, the guarantees remaining outstanding to the co-financing banks decreased to HK\$10.0 million from HK\$30.2 million as at the end of 1999.

As at 31 December 2000, the outstanding corporate guarantees of Winton Group extended to certain banks as security for its banking facilities decreased to HK\$599.0 million from HK\$1,138.2 million at the end of 1999.

During the year, various ex-employees of the restaurants formerly operated by four subsidiaries of Winton Group had served summonses to these subsidiaries seeking to file their respective statements of claim. The ex-employees (save for one ex-employee in one of the subsidiaries) are seeking declarations against the subsidiaries rather than claiming for specific amounts. In view of the financial position of the subsidiaries, three of the above subsidiaries have resolved to put their respective companies into creditors' voluntary liquidation. As regards to the claims against the remaining subsidiary, based on legal advice, it will continue to be defended.

During the year, a subsidiary of Winton Group was named as the second defendant in a legal action brought by an individual who sustained injuries in a traffic accident involving a taxi owned and leased by the said subsidiary to a taxi hirer at the time of the accident. The claim is being attended by the insurance company.

# JCG Family

*Our Group Chairman, Tan Sri Dato' Dr. Teh Hong Piow delivered his opening address at the Group's Annual Dinner 2000.*



*The 2000 Annual General Meeting of JCG Holdings Limited held at the Mandarin Oriental Hotel, Hong Kong.*



*On behalf of the staff, Mr. Tan Yoke Kong, our General Manager, presented a special "No. 1" crystal souvenir to the Group Chairman, Tan Sri Dato' Dr. Teh Hong Piow, for his achievement of being awarded the "Malaysia's CEO of the Year 1998".*



*Participants of the Annual Management Seminar held at the Harbour Plaza Hotel in July 2000.*

*The staff celebrated the arrival of the Year of Dragon at the Group's Annual Dinner held at the Conrad International Hotel, Hong Kong in January 2000.*



*Our Tin Lok Lane Branch which was relocated to the new premises in July 2000.*



*Our branch staff attending to customers at a branch.*



*Participants of the Management Seminar in discussion during a workshop session.*



*The annual outing for the staff and their family members held in October 2000.*



*A "merry" Christmas Party of the JCG Sports Club held at The Royal Garden Hotel in Tsimshatsui.*



# Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2000.

## 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, the operation of a credit card business, mortgage financing, stockbroking, the letting of investment properties, the provision of finance to purchasers of taxis and public light buses, trading of taxis cabs and taxi licences, and leasing of taxis. 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 20 to the financial statements.

## Segmental information

### (a) By geographical area

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

### (b) By class of business

	2000		1999	
	Profit before tax HK\$'000	Total assets HK\$'000	Profit before tax HK\$'000	Total assets HK\$'000
Personal and commercial lending	513,547	5,313,721	426,592	5,194,242
Taxi trading and related operations, and other businesses	17,932	188,487	7,190	220,466
Group total	531,479	5,502,208	433,782	5,414,708

### 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, the 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 the taxi trading and the leasing of taxis. Other businesses comprise the securities dealing and the letting of investment properties.

## Segmental information (Continued)

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

	Gross advances to customers	
	2000 HK\$'000	1999 HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial:		
- Property development	17,213	19,265
- Property investment	87,825	93,700
- Financial concerns (other than banks and financial institutions)	–	506
- Wholesale and retail trade	7,725	11,560
- Manufacturing	14,497	35,572
- Licenced public vehicles	936,238	1,222,339
- Others	26,478	73,478
Individuals:		
- Loans for the purchase of residential properties	110,567	164,433
- Credit card advances	11,617	14,529
- Others	2,785,186	2,362,210
Loans for use outside Hong Kong	114,500	114,500
	<b>4,111,846</b>	<b>4,112,092</b>

The 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.

Winton Financial Limited and Winton Financial (Factoring) Limited, both wholly-owned subsidiaries of Winton Group, maintain a system of controls on loan assessments and approvals, and will continue to pursue a conservative and prudent policy in granting loans. The directors and the senior management of Winton Group are responsible for the formulation of credit policies and management of credit risk through reviews of regular reports on credit exposures and the level of bad debt provisions.

# Report of the Directors

## **Qualitative information on management of risks (Continued)**

### **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.

The Group adopts a conservative view on exposure to market risk related financial instruments. The Group 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.

During the same period, Winton Group also did not trade in any market risk related financial instruments.

### **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.

The Group monitors its liquidity position as part of its ongoing assets and liabilities management. The balance between liquidity 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, and customer deposits. JCG Finance adopts a prudent policy in capital management and manages its deposits in line with its loan growth.

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

## Capital adequacy and liquidity ratios

	<b>2000 Unadjusted ratio</b>	1999 Unadjusted ratio
Capital adequacy ratio as at 31 December	<b>63.61%</b>	62.98%
Average liquidity ratio for the year	<b>138.39%</b>	106.33%

The components of JCG Finance's total capital base after deductions include the following items:

	<b>2000 HK\$'000</b>	1999 HK\$'000
Core capital		
Paid up ordinary share capital	<b>258,800</b>	258,800
Reserves (eligible for inclusion in core capital)	<b>1,783,213</b>	1,565,985
	<b>2,042,013</b>	1,824,785
Eligible supplementary capital		
Reserve on revaluation of securities not held for trading purposes	<b>9,903</b>	–
General provisions for doubtful debts	<b>42,778</b>	38,507
	<b>52,681</b>	38,507
Total capital base before deductions	<b>2,094,694</b>	1,863,292
Deductions from total capital base	<b>(10)</b>	(10)
Total capital base after deductions	<b>2,094,684</b>	1,863,282

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 is not disclosed herein as the market risk arising from JCG Finance's trading book is regarded as immaterial. JCG Finance meets all of the de minimis exemption criteria for reporting market risk as set out in the guideline "Maintenance of Adequate Capital Against Market Risks" issued by the Hong Kong Monetary Authority and has relied on such criteria in considering the materiality of market risk arising from its trading book.

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

# Report of the Directors

## ***Results and dividends***

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The Group's profit for the year ended 31 December 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 32 to 64.

An interim dividend of 8.0 cents (1999: 7.5 cents) per ordinary share was paid on 25 August 2000. The directors recommend the payment of a final dividend of 24.0 cents (1999: 12.5 cents) per ordinary share in respect of the year, to shareholders on the register of members on 3 March 2001. This recommendation has been incorporated in the financial statements.

## ***Summary of financial information***

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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***

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Details of movements in the fixed assets and investment properties of the Group are set out in notes 23 and 19 to the financial statements, respectively.

## ***Subsidiaries***

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Particulars of the Company's subsidiaries are set out in note 20 to the financial statements.

## ***Associates***

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Particulars of the Group's associates are set out in note 21 to the financial statements.

## ***Bank borrowings***

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Details of the Group's bank borrowings at 31 December 2000 are set out in note 26 to the financial statements.

## ***Share capital and share options***

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Details of movements in the Company's share capital and share options during the year, together with reasons therefor, 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.

## ***Issue of convertible preference shares by a subsidiary***

On 3 March 2000, Winton, a 75% owned subsidiary of the Company, issued 924,000,000 5.5% convertible cumulative redeemable preference shares ("CPS") of HK\$0.10 each at a subscription price of HK\$0.33 each and received a total cash consideration of HK\$304,920,000. The CPS are convertible into ordinary shares at the option of the holder at any time from 4 March 2002 up to 3 March 2005 and will be mandatorily converted into ordinary shares on 3 March 2005 provided that the condition of mandatory redemption, under which the conversion price is below the par value on the said maturity date, is not applicable at that time.

## ***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 2000, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$403,578,000 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\$18,900.

## ***Post balance sheet events***

Details of the significant post balance sheet events of the Group are set out in note 36 to the financial statements.

# Report of the Directors

## ***Major customers and suppliers***

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In the year under review, income attributable to the five largest customers accounted for less than 30% of the Group's total income for the year. Purchases from the five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

## ***Compliance with Financial Disclosure by Locally Incorporated Authorised Institutions***

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

## ***Directors***

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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. Cheah Cheng Hye and Mr. Tan Yoke Kong retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

## *Directors' and senior management's biographies*

<b>Name</b>	<b>Age</b>	<b>Position held</b>	<b>Number of years of service with the Group</b>	<b>Business experience</b>
Tan Sri Dato' Dr. Teh Hong Piow	70	Chairman	11	He is the founder, president 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 51 years. He is also the Chairman of Winton.
Tan Yoke Kong	48	Director/ Chief Executive	10	He has more than 19 years' experience in the banking sector. He is also a director of Winton.
Datuk Tay Ah Lek	58	Non-executive Director	6	He is the Executive Director of Public Bank and a director of Winton and has more than 36 years' experience in the banking and financial sector.
Lee Huat Oon	38	Director/ Alternate Chief Executive	6	He has more than 13 years' experience in the banking sector. He is also a director of Winton.



# Report of the Directors

## *Directors' and senior management's biographies (Continued)*

<b>Name</b>	<b>Age</b>	<b>Position held</b>	<b>Number of years of service with the Group</b>	<b>Business experience</b>
Wong Kong Ming	47	Non-executive Director	5	He is the General Manager of Public Bank, Hong Kong Branch and has more than 25 years' experience in the banking sector. He is also a director of Winton.
Cheah Cheng Hye	46	Independent Non-executive Director	7	He has more than 11 years' experience in the financial sector, prior to which he worked as a financial journalist for 12 years. He is also an Independent Non-executive Director of Winton.
Geh Cheng Hooi, Paul	66	Independent Non-executive Director	6	He is a consultant with KPMG, Malaysia. Prior to this, Mr Geh was with KPMG for 29 years and was the Senior Partner thereof. He is also an Independent Non-executive Director of Winton.

## *Emoluments of directors and the five highest paid individuals*

Details of the emoluments of the directors and those of the five highest paid individuals in the Group are set out in notes 8 and 9 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 as disclosed in the details of the transactions included in note 35 to the financial statements and in the section headed "Connected transactions" below, no director had a beneficial interest, whether direct or indirect, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries and fellow subsidiaries was a party at the balance sheet date or at any time 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, the ultimate holding company	Tan Sri Dato'		
	Dr. Teh Hong Piow	786,926,000	210,000
	Datuk Tay Ah Lek	133,000	136,000
	Wong Kong Ming	–	89,860
3. Public Finance Berhad, a fellow subsidiary	Tan Sri Dato'		
	Dr. Teh Hong Piow	187,319,051	16,500
	Datuk Tay Ah Lek	2,349	1,650
4. Winton, a subsidiary	Tan Sri Dato'		
	Dr. Teh Hong Piow	314,999,925	–

# Report of the Directors

## Directors' interests in shares (Continued)

Interests in	Name of director	Number of convertible preference shares	
		Corporate interests	Personal interests
Winton	Tan Sri Dato'		
	Dr.Teh Hong Piow	870,225,121	–

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

Tan Sri Dato' Dr.Teh Hong Piow, 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.

- (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	–

## ***Directors' interests in shares (Continued)***

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 commencing from two years after 5 July 1997 and the remaining 50% of the options are exercisable commencing from three years after 5 July 1997, and the last day to exercise the options is 4 July 2002. The subscription price of the options is HK\$4.77 per share.
- (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, no options to subscribe for shares in the Company and Public Bank were granted to any of the directors or the spouse or children under 18 years of age of any director.

Save as disclosed above, none of the directors had any personal, family, corporate or other interest 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, or any of its subsidiaries and 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.

## ***Directors' interests in competing business***

Tan Sri Dato' Dr. Teh Hong Piow and Datuk Tay Ah Lek are also directors of Public Bank, which is also engaged in the provision of finance to purchasers of licensed public vehicles through its branch in Hong Kong.

Tan Sri Dato' Dr. Teh Hong Piow is also a deemed substantial shareholder of Public Bank by virtue of his interest in Public Bank.

The provision of finance to purchasers of licensed public vehicles undertaken by Public Bank during the year were referred by the Group.

# Report of the Directors

## ***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***

- (1) On 23 July 1997, a tenancy agreement was made between JCG Finance as the landlord and Public Bank 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 monthly rental of HK\$22,000.

A lease arrangement was first made on 1 September 1993 and renewed subsequently by tenancy agreements between JCG Finance as the landlord and Public Bank as the tenant whereby JCG Finance agreed to lease a portion of the office premises located at 11th Floor, Wing On House, Hong Kong to Public Bank as its office. The existing tenancy agreement was entered into on 28 August 2000 for a term of 23 months commencing from 1 September 2000 to 31 July 2002 at a monthly rental of HK\$47,700.

- (2) 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 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 loans were granted under the Co-Financing Arrangements with Public Bank (1999: Nil) and JCG Finance (1999: Nil). There was no new guarantee ("Guarantee") provided by Winton to Public Bank (1999: Nil) and JCG Finance (1999: Nil) in respect of borrowers who may default within one year of the loan. However, Winton extended the Guarantee to Public Bank for two accounts rescheduled by Public Bank for the amount of HK\$770,000 (1999: HK\$770,000) on terms similar to other co-financing banks. There was no interest received by Public Bank and JCG Finance under the Co-Financing Arrangements (1999: HK\$40,000 and HK\$1,736,000, respectively). Commission income of approximately HK\$76,000 (1999: HK\$122,000) was received by the Winton Group from Public Bank, while no commission income (1999: HK\$414,000) was received by the Winton Group from JCG Finance.

## **Connected transactions (Continued)**

- (3) Winton and the Company had been granted a conditional waiver by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under letters dated 7 and 19 April 2000, respectively, from strict compliance of the requirements of Chapter 14 of the Listing Rules in respect of the Guarantee provided by Winton to Public Bank in respect of the obligations of WFL and WFFL under the Co-Financing Arrangements mentioned in item (2) under the heading "Connected transactions" above. Mr Geh Cheng Hooi, Paul and Mr Cheah Cheng Hye, the independent non-executive directors of Winton and the Company, and the external auditors have reviewed the Guarantee. The respective parties have concluded that the Guarantee met the respective conditions imposed by the Stock Exchange under the conditional waiver.
- (4) Pursuant to facility agreements entered into between Public Bank (L) Ltd ("PBL"), a wholly-owned subsidiary of Public Bank, and WFL, PBL granted unsecured revolving credit facilities to WFL for a total of HK\$800,000,000 (1999: HK\$800,000,000). The facilities were utilised to the extent of HK\$799,414,000 (1999: HK\$799,414,000) during the year, and up to HK\$749,414,000 (1999: HK\$799,414,000) as at 31 December 2000. Interest paid by the Group for the year to PBL in respect of the facilities amounted to approximately HK\$73,306,000 (1999: HK\$64,798,000).
- (5) During the year, pursuant to a facility agreement entered into between JCG Finance and Winton, JCG Finance granted an unsecured revolving credit facility to Winton for a total of HK\$30,000,000 (1999: HK\$100,000,000). The facility was utilised to the extent of HK\$5,000,000 (1999: HK\$55,000,000) during the year, and as at 31 December 2000, the facility was not utilised (1999: HK\$5,000,000). Interest and related facility fee paid by Winton to JCG Finance for the year in respect of the facility amounted to approximately HK\$85,000 (1999: approximately HK\$2,134,000).

## **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 2 and 5 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 period covered by the 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 bye-laws.

# Report of the Directors

## ***Audit committee***

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The Company has established an audit committee (the "Audit Committee") in accordance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The present members of the Audit Committee are Datuk Tay Ah Lek (Chairman of the Audit Committee), Mr. Geh Cheng Hooi, Paul and Mr. Cheah Cheng Hye. Four meetings were held during the year to consider corporate governance, regulatory compliance, internal control and financial reporting matters which cover the accounting period in this annual report.

## ***Auditors***

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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

20 January 2001



**To the members**

**JCG Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 32 to 64 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 of the state of affairs of the Company and of the Group as at 31 December 2000 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  
20 January 2001



# Consolidated Profit and Loss Account

For the year ended 31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
Interest income		<b>945,038</b>	923,928
Interest expense		<b>(166,537)</b>	(182,723)
<b>NET INTEREST INCOME</b>		<b>778,501</b>	741,205
Other operating income	4	<b>215,955</b>	195,101
<b>OPERATING INCOME</b>		<b>994,456</b>	936,306
Operating expenses	5	<b>(234,067)</b>	(234,304)
<b>OPERATING PROFIT BEFORE PROVISIONS</b>		<b>760,389</b>	702,002
Provisions for bad and doubtful debts	7	<b>(226,292)</b>	(267,740)
<b>OPERATING PROFIT</b>		<b>534,097</b>	434,262
Share of results from associates		<b>(2,618)</b>	(480)
<b>PROFIT BEFORE TAX</b>		<b>531,479</b>	433,782
Tax	10	<b>(83,447)</b>	(84,832)
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>448,032</b>	348,950
Minority interests		<b>(1,394)</b>	16,388
<b>NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>	11	<b>446,638</b>	365,338
Dividends	12	<b>(226,245)</b>	(141,405)
<b>RETAINED PROFIT FOR THE YEAR</b>		<b>220,393</b>	223,933
<b>EARNINGS PER SHARE (cents)</b>	13		
Basic		<b>63.2</b>	51.7
Diluted		<b>N/A</b>	N/A

# Consolidated Statement of Recognised Gains and Losses

For the year ended 31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
Surplus on revaluation of long term equity investments	30	14,147	–
Capitalisation of share issue expenses of a subsidiary	30	(1,277)	–
Net gains not recognised in the consolidated profit and loss account		12,870	–
Net profit for the year		446,638	365,338
Total recognised gains and losses for the year		459,508	365,338

# Balance Sheets

31 December 2000

	Notes	Group		Company	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
<b>ASSETS</b>					
Cash and short term placements	14	<b>572,326</b>	820,005	<b>46,895</b>	264,122
Placements with banks and financial institutions maturing between one and twelve months	15	<b>300,000</b>	–	<b>57,353</b>	–
Loans and advances	6	<b>3,772,985</b>	3,756,770	–	–
Other assets	16	<b>476,191</b>	476,466	<b>117,426</b>	151,142
Long term investments	18	<b>14,410</b>	–	–	–
Investment properties	19	<b>68,358</b>	80,758	–	–
Interests in subsidiaries	20	–	–	<b>1,629,063</b>	1,341,657
Interests in associates	21	<b>13,212</b>	18,840	–	–
Intangible assets	22	<b>227</b>	–	–	–
Fixed assets	23	<b>284,499</b>	261,869	–	–
<b>TOTAL ASSETS</b>		<b>5,502,208</b>	5,414,708	<b>1,850,737</b>	1,756,921
<b>LIABILITIES</b>					
Customer deposits	25	<b>1,318,818</b>	1,304,381	–	–
Interest-bearing bank borrowings	26	<b>15,458</b>	108,554	–	–
Other liabilities	27	<b>325,433</b>	289,559	<b>170,300</b>	89,009
<b>TOTAL LIABILITIES</b>		<b>1,659,709</b>	1,702,494	<b>170,300</b>	89,009
<b>INTEREST-BEARING LONG TERM BANK BORROWINGS</b>					
	26	<b>749,414</b>	870,647	–	–
<b>CAPITAL RESOURCES</b>					
Share capital	29	<b>70,702</b>	70,702	<b>70,702</b>	70,702
Reserves	30	<b>2,831,555</b>	2,598,292	<b>1,609,735</b>	1,597,210
Shareholders' funds		<b>2,902,257</b>	2,668,994	<b>1,680,437</b>	1,667,912
Minority interests		<b>190,828</b>	172,573	–	–
<b>TOTAL CAPITAL RESOURCES</b>		<b>3,093,085</b>	2,841,567	<b>1,680,437</b>	1,667,912
<b>TOTAL LIABILITIES AND CAPITAL RESOURCES</b>		<b>5,502,208</b>	5,414,708	<b>1,850,737</b>	1,756,921

**Tan Yoke Kong**  
Director

**Lee Huat Oon**  
Director

# Consolidated Cash Flow Statement

For the year ended 31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	31(a)	<b>335,916</b>	660,620
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Ordinary dividends paid		<b>(144,937)</b>	(141,400)
Dividends paid to minority interests	31(b)	<b>(819)</b>	(30)
Dividends from listed investments		<b>64</b>	–
Net cash outflow from returns on investments and servicing of finance		<b>(145,692)</b>	(141,430)
<b>TAX</b>			
Hong Kong profits tax paid		<b>(128,798)</b>	(77,120)
<b>INVESTING ACTIVITIES</b>			
Purchases of fixed assets		<b>(21,177)</b>	(4,486)
Proceeds from sale of fixed assets		<b>64</b>	8
Increase in minority interests		<b>17,680</b>	–
Net cash outflow from investing activities		<b>(3,433)</b>	(4,478)
<b>NET CASH INFLOW BEFORE FINANCING ACTIVITIES</b>		<b>57,993</b>	437,592
<b>FINANCING ACTIVITIES</b>			
Shares issued in respect of the exercise of share options	31(b)	–	191
Expenses on convertible preference shares issued by a subsidiary		<b>(1,277)</b>	–
Net cash (outflow)/inflow from financing activities		<b>(1,277)</b>	191
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>56,716</b>	437,783
Cash and cash equivalents at 1 January		<b>815,610</b>	377,827
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>872,326</b>	815,610
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and short term placements	14	<b>572,326</b>	820,005
Placements with banks and financial institutions maturing between one and twelve months	15	<b>300,000</b>	–
Bank overdrafts	26	–	(4,395)
		<b>872,326</b>	815,610

# Notes to Financial Statements

31 December 2000

## 1. Corporate Information

The registered office of JCG Holdings Limited is located at Clarendon House, Church Street, Hamilton HM11, Bermuda.

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

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

## 2. Summary of Significant Accounting Policies

### Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic re-measurement of investment properties and certain fixed assets, and inventories 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 2000. 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.

### Associates

An associate is a company, not being a subsidiary, 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.

## 2. Summary of Significant Accounting Policies (Continued)

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

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

# Notes to Financial Statements

31 December 2000

## 2. Summary of Significant Accounting Policies (Continued)

### Intangible assets

Intangible assets, representing eligibility rights to trade on or through the Stock Exchange ("Stock Exchange Trading Right"), are stated at cost less accumulated amortisation.

Amortisation is calculated on the straight-line basis to write off the cost of the trading right over its estimated useful life of ten years.

### Deferred expenditure

Deferred expenditure represents the unamortised portion of net commission expenses. Commission expenses, which are paid or payable to dealers for the introduction 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 lessor 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.

### Long term investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. Unlisted securities are stated at their estimated fair values on an individual basis.

The gains or losses arising from changes in the fair values of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account for the period in which the impairment arises. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value is credited to the profit and loss account to the extent of the amount previously charged.

### Provisions for doubtful debts

Provisions are made against loans and advances and other debtors 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.

## 2. Summary of Significant Accounting Policies (Continued)

### 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 instalments 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.

### Inventories

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

### 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.

### Foreign currencies

Foreign currency transactions are recorded at the 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.

### Retirement benefit schemes

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



# Notes to Financial Statements

31 December 2000

## 2. Summary of Significant Accounting Policies (Continued)

### Long service payments

Provisions for long service payments have been made in respect of employees who have been continuously employed by the 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.

### Revenue recognition

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

- (a) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable, and on the basis set out above under the heading "Financing operations";
- (b) commission, brokerage, handling fees and fee income, when services are rendered;
- (c) 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 time proportion basis over the lease terms; and
- (e) dividends, when the shareholders' right to receive payment is established.

### 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.

### 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.

# Notes to Financial Statements

31 December 2000

## 3. Segmental Information

The following segmental information is disclosed pursuant to Appendix 16 of the Listing Rules:

### (a) By geographical area

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

### (b) Turnover by class of business

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, the trading activities of taxi cabs and licences, and the leasing of taxis in Hong Kong, and is summarised as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Taxi trading and related operations	120,887	94,796
Others	4,824	18,111
	<b>125,711</b>	<b>112,907</b>

### (c) Profit before tax by class of business

	Group	
	2000 HK\$'000	1999 HK\$'000
Personal and commercial lending	513,547	426,592
Taxi trading and related operations, and other businesses	17,932	7,190
	<b>531,479</b>	<b>433,782</b>

## 4. Other Operating Income

	Group	
	2000 HK\$'000	1999 HK\$'000
Fees and commission income	197,885	169,274
Gross rental income	5,407	5,861
Less: outgoing expenses	(538)	(447)
Net rental income	4,869	5,414
Loss on disposal of fixed assets	(194)	(133)
Net profit from trading activities	7,563	8,209
Compensation received by a former restaurant	-	7,099
Dividends from listed investments	64	-
Others	5,768	5,238
	<b>215,955</b>	<b>195,101</b>

Net profit from trading activities has been arrived at after netting off the cost of inventories sold in the amount of HK\$95,225,000 (1999: HK\$101,311,000).

# Notes to Financial Statements

31 December 2000

## 5. Operating Expenses

	Group	
	2000 HK\$'000	1999 HK\$'000
Staff costs:		
Salaries and other staff costs	<b>100,909</b>	102,571
Pension contributions	<b>5,729</b>	5,665
Less: Forfeited contributions	<b>(1,350)</b>	(489)
Net pension contributions	<b>4,379</b>	5,176
	<b>105,288</b>	107,747
Other operating expenses:		
Operating lease rentals on land and buildings	<b>20,748</b>	25,202
Depreciation	<b>8,889</b>	8,835
Amortisation of intangible assets	<b>25</b>	–
Auditors' remuneration	<b>1,802</b>	1,862
Deficit on revaluation of investment properties	<b>1,800</b>	6,299
Amortisation and write-off of commission expenses	<b>13,128</b>	39,119
Provision for other doubtful debtors	<b>21,141</b>	848
Administrative and general expenses	<b>17,128</b>	12,598
Others	<b>44,118</b>	31,794
	<b>234,067</b>	234,304

At 31 December 2000, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (1999: Nil). The current year credits arose in respect of staff who left the scheme during the year.

## 6. Loans and Advances

### (a) Advances to customers

	Group	
	2000 HK\$'000	1999 HK\$'000
Loans and advances to customers	<b>4,111,846</b>	4,112,092
Provisions for bad and doubtful debts ( <i>note 7</i> ):		
Specific	<b>(134,533)</b>	(154,678)
General	<b>(204,328)</b>	(200,644)
	<b>(338,861)</b>	(355,322)
	<b>3,772,985</b>	3,756,770

Certain loans were pledged to secure banking facilities of approximately HK\$145,000,000 (1999: HK\$160,271,000). At 31 December 2000, such facilities were not utilised (1999: HK\$106,158,000) (*note 26*).

# Notes to Financial Statements

31 December 2000

## 6. Loans and Advances (Continued)

### (a) Advances to customers (Continued)

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

	Group	
	2000 HK\$'000	1999 HK\$'000
Repayable:		
On demand	56,013	70,612
Three months or less	698,696	615,115
One year or less but over three months	1,343,215	1,177,568
Five years or less but over one year	855,461	759,639
After five years	939,943	1,247,571
Undated	218,518	241,587
	<b>4,111,846</b>	4,112,092

### (b) Gross amount of non-performing loans and advances to customers on which interest accrual has ceased

	Group			
	2000		1999	
	Gross amount HK\$'000	Percentage of total loans and advances	Gross amount HK\$'000	Percentage of total loans and advances
Gross advances to customers which have been overdue for over 3 months on which interest accrual has ceased:				
Six months or less but over three months	41,672	1.0	34,914	0.9
One year or less but over six months	32,069	0.8	36,413	0.9
Over one year	178,593	4.3	170,163	4.1
	<b>252,334</b>	<b>6.1</b>	241,490	5.9
Taxi financing loans terminated and fully provided for	28,958	0.7	67,017	1.6
	<b>281,292</b>	<b>6.8</b>	308,507	7.5
Gross advances to customers which have been overdue for 3 months or less but interest on which has ceased to accrue	44,667	1.1	33,144	0.8
Total non-performing loans and advances	<b>325,959</b>	<b>7.9</b>	341,651	8.3
Specific provisions	(134,533)		(153,802)	
	<b>191,426</b>		187,849	

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

# Notes to Financial Statements

31 December 2000

## 6. Loans and Advances (Continued)

### (b) Gross amount of non-performing loans and advances to customers on which interest accrual has ceased (Continued)

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 the "Winton Portion") and the co-financing banks are entitled to receive certain monthly installments (hereinafter referred to as the "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 2000 and 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.

The above non-performing advances on which interest is no longer accrued include property mortgage loans and taxi financing loans of HK\$167,415,000 (1999: HK\$168,952,000) and HK\$28,958,000 (1999: HK\$67,017,000), respectively, which are secured by properties, taxi cabs and taxi licences. Specific provision of approximately HK\$61,135,000 (1999: HK\$54,522,000) and HK\$11,962,000 (1999: HK\$43,849,000) are related to property mortgage loans and taxi financing loans, respectively.

### (c) Rescheduled loans

As at 31 December 2000, there were no rescheduled loans under the Group's gross advances (1999: Nil).

The co-financing banks of the 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.

## 7. Provisions for Bad and Doubtful Debts

	Specific HK\$'000	Group General HK\$'000	Total HK\$'000
At 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 and 1 January 2000	154,678	200,644	355,322
Charge for the year	229,761	3,684	233,445
Amounts written off	(249,906)	–	(249,906)
<b>At 31 December 2000</b>	<b>134,533</b>	<b>204,328</b>	<b>338,861</b>

# Notes to Financial Statements

31 December 2000

## 7. Provisions for Bad and Doubtful Debts (Continued)

	Group	
	2000 HK\$'000	1999 HK\$'000
Specific charge	229,761	266,939
General charge	3,684	4,630
	<b>233,445</b>	271,569
Loan recoveries	<b>(7,153)</b>	(3,829)
Net charge to the profit and loss account	<b>226,292</b>	267,740

## 8. Directors' Remuneration

### (a) Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance

	Group	
	2000 HK\$'000	1999 HK\$'000
Fees:		
Executive	175	70
Non-executive	455	175
Independent non-executive	280	280
	<b>910</b>	525
Other emoluments:		
Basic salaries, housing, other allowances and benefits in kind	1,543	1,463
Bonuses paid and payable	479	383
Pension scheme contributions	165	124
	<b>3,097</b>	2,495

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\$561,000 (1999: HK\$240,000).

# Notes to Financial Statements

31 December 2000

## 8. Directors' Remuneration (Continued)

### (a) Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance (Continued)

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

	<b>2000</b> Number of directors	1999 Number of directors
Nil - HK\$1,000,000	<b>6</b>	6
HK\$1,000,001 - HK\$1,500,000	<b>1</b>	1
	<b>7</b>	7

### (b) Share options

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 commencing from two years after 5 July 1997 and the remaining 50% of the options are exercisable commencing from three years after 5 July 1997, and the last day to exercise the options is 4 July 2002. The subscription price of the options is HK\$4.77 per share.

During the year, none of the directors was granted any options to subscribe for shares in the Company. In prior years, two of the executive directors were granted 286,000 options to subscribe for shares in the Company.

## 9. Five Highest Paid Employees

The five highest paid individuals during the year included two (1999: two) directors, details of whose remuneration are set out in note 8 above. The details of the remuneration of remaining three (1999: three) non-directors, highest paid individuals are as follows:

	<b>2000</b> HK\$'000	Group 1999 HK\$'000
Basic salaries, housing, other allowances and benefits in kind	<b>2,267</b>	2,126
Bonuses paid and payable	<b>396</b>	325
Pension scheme contributions	<b>140</b>	101
	<b>2,803</b>	2,552

# Notes to Financial Statements

31 December 2000

## 9. Five Highest Paid Employees (Continued)

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

	<b>2000</b> Number of employees	1999 Number of employees
Nil - HK\$1,000,000	<b>2</b>	2
HK\$1,000,001 - HK\$1,500,000	<b>1</b>	1
	<b>3</b>	3

## 10. Tax

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the year. No deferred tax has been provided for the year as there were no significant timing differences at the year end date (1999: Nil).

No Hong Kong or overseas profits tax has been provided for associates as the associates did not generate any assessable profits in Hong Kong and elsewhere during the year.

## 11. 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\$238,770,000 (1999: HK\$217,426,000).

## 12. Dividends

	<b>2000</b>	1999	<b>2000</b>	1999
	<b>Cents per ordinary share</b>		<b>HK\$'000</b>	
Interim	<b>8.0</b>	7.5	<b>56,559</b>	53,027
Proposed final	<b>24.0</b>	12.5	<b>169,686</b>	88,378
	<b>32.0</b>	20.0	<b>226,245</b>	141,405

## 13. 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\$446,638,000 (1999: HK\$365,338,000) and the weighted average number of 707,022,000 (1999: 706,999,000) ordinary shares in issue during the year.



# Notes to Financial Statements

31 December 2000

## 13. Earnings Per Share (Continued)

### (b) Diluted earnings per share

Diluted earnings per share for the year ended 31 December 2000 has not been shown as the convertible preference shares of Winton outstanding during the year had an anti-dilutive effect on the basic earnings per share for the year.

Diluted earnings per share for the year ended 31 December 1999 has not been calculated as no diluting events existed last year.

## 14. Cash and Short Term Placements

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Cash and balances with banks and other financial institutions	<b>80,716</b>	76,287	<b>84</b>	78
Money at call and short notice	<b>491,610</b>	743,718	<b>46,811</b>	264,044
	<b>572,326</b>	820,005	<b>46,895</b>	264,122

One of the Group's placements with banks, amounting to HK\$5,000,000 (1999: HK\$5,000,000), was pledged to a bank for credit facilities of HK\$5,000,000 (1999: HK\$5,000,000) granted to the Group (*note 26*). The credit facilities had not been utilised during the year (1999: Nil).

Certain of the Company's money at call and short notice, amounting to HK\$37,276,000 (1999: Nil), was deposited with JCG Finance.

## 15. Placements with Banks and Financial Institutions Maturing Between One and Twelve Months

The Group's placements with financial institutions were placed with Public Bank (L) Ltd, a fellow subsidiary of the Company (1999: Nil).

The Company's placements with financial institutions were placed with JCG Finance (1999: Nil).

# Notes to Financial Statements

31 December 2000

## 16. Other Assets

	Note	Group		Company	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Inventories	17	<b>24,940</b>	31,609	–	–
Interest receivable		<b>310,870</b>	323,537	<b>966</b>	788
Other debtors, deposits and prepayments		<b>137,849</b>	101,199	–	250
Deferred expenditure		<b>2,532</b>	19,606	–	–
Dividends receivable		–	–	<b>116,460</b>	150,104
Share in the Stock Exchange		–	515	–	–
		<b>476,191</b>	476,466	<b>117,426</b>	151,142

The Group held one share in the Stock Exchange as at 31 December 1999. Pursuant to the restructuring of the Stock Exchange and the Futures Exchange, effective on 6 March 2000, this share was exchanged for a Stock Exchange Trading Right and 805,000 ordinary shares of HK\$1.00 each in Hong Kong Exchanges and Clearing Limited (the "HKEC Shares").

The prior cost of the previously held share in the Stock Exchange above has been apportioned to the Stock Exchange Trading Right and the HKEC Shares on the basis of their respective estimated market values on 6 March 2000.

The Stock Exchange Trading Right has been classified as an intangible asset and the HKEC Shares have been classified as a long term investment in notes 22 and 18 to the financial statements, respectively.

## 17. Inventories

Included in the balance were taxi licences and taxi cabs amounting to approximately HK\$24,937,000 (1999: HK\$29,280,000).

None of the inventories were carried at net realisable value at the balance sheet date (1999: HK\$2,157,000).

At 31 December 2000, the carrying amount of inventories of the Group pledged as security for bank borrowings and other loans amounted to HK\$22,496,000 (1999: HK\$20,731,000) (Note 26).

## 18. Long Term Investments

	Group	
	2000 HK\$'000	1999 HK\$'000
Transferred from other assets (note 16)	<b>263</b>	–
Movement in market value	<b>14,147</b>	–
Listed equity investment in Hong Kong, at market value	<b>14,410</b>	–

# Notes to Financial Statements

31 December 2000

## 19. Investment Properties

	Group	
	2000 HK\$'000	1999 HK\$'000
At beginning of year	<b>80,758</b>	77,758
Transfer (to)/from land and buildings	<b>(10,600)</b>	9,299
Revaluation deficit	<b>(1,800)</b>	(6,299)
At 31 December	<b>68,358</b>	80,758

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

	Group 2000 HK\$'000
At valuation:	
Medium term leases	<b>350</b>
Long term leases	<b>68,008</b>
	<b>68,358</b>

Investment properties with a carrying amount of HK\$40,650,000 were revalued on 21 December 2000 at HK\$38,850,000 by Chung Sen Surveyors Limited, an independent professional valuer, on an open market value based on their existing use. A revaluation deficit of HK\$1,800,000 on a portfolio basis, resulting from the above valuation has been charged to the profit and loss account.

Investment properties with a carrying amount of HK\$29,158,000 were revalued at HK\$29,300,000 by Chung Sen Surveyors Limited, an independent professional valuer, 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 carrying value of the properties has not been adjusted to the revalued amount.

An investment property with a carrying value of HK\$350,000 has not been revalued by professional valuers at the balance sheet date 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 26*).

# Notes to Financial Statements

31 December 2000

## 20. Interests in Subsidiaries

	Company	
	2000 HK\$'000	1999 HK\$'000
Shares at cost:		
Listed:		
Hong Kong	572,212	572,212
Unlisted:	1,056,851	769,445
	<b>1,629,063</b>	1,341,657
Market value of listed shares	<b>69,300</b>	97,650

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 private companies incorporated in Hong Kong. All subsidiaries principally operate in Hong Kong.

Particulars of 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 <sup>*1</sup>	134,400,000 <sup>*2</sup>	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 (note 36)	20	–	75	Dormant

# Notes to Financial Statements

31 December 2000

## 20. Interests in Subsidiaries (Continued)

Name	Nominal value of issued ordinary share capital HK\$	Percentage of equity attributable to the Company		Principal activities
		Direct	Indirect	
Shuning Shing Limited (note 36)	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
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 (note 36)	20	–	75	Dormant
Wu Shang Mei Winton (China) Investment Company Limited	100	–	67.5	Investment holding

Notes:

\*1 Ordinary shares are quoted on The Stock Exchange of Hong Kong Limited

\*2 Inclusive of convertible preference shares of HK\$92,400,000

# Notes to Financial Statements

31 December 2000

## 21. Interests in Associates

	Group	
	2000 HK\$'000	1999 HK\$'000
Share of net assets other than goodwill	5,932	8,550
Amount due from associates	7,280	10,290
	<b>13,212</b>	18,840

The amounts due from associates are unsecured, repayable on demand and interest-bearing at the prevailing market rate in the Mainland China.

Particulars of the Group's associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group		Principal activities
			2000	1999	
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

The Group's 30% interest in Zhuhai Winton Restaurant Limited was disposed of on 16 November 2000.

## 22. Intangible Assets

	Group	
	2000 HK\$'000	1999 HK\$'000
Cost:		
At beginning of year	–	–
Transfer from other assets (note 16)	252	–
Balance at end of year	<b>252</b>	–
Accumulated amortisation:		
At beginning of year	–	–
Provided during the year	25	–
Balance at end of year	<b>25</b>	–
Net book value at end of year	<b>227</b>	–

# Notes to Financial Statements

31 December 2000

## 23. 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 carrying amount:				
At beginning of year	272,517	71,383	1,630	345,530
Additions	14,948	6,229	–	21,177
Transfer from investment properties	10,600	–	–	10,600
Disposals	–	(3,650)	–	(3,650)
<b>At 31 December 2000</b>	<b>298,065</b>	<b>73,962</b>	<b>1,630</b>	<b>373,657</b>
Accumulated depreciation:				
At beginning of year	19,488	62,543	1,630	83,661
Provided during the year	4,503	4,386	–	8,889
Disposals	–	(3,392)	–	(3,392)
<b>At 31 December 2000</b>	<b>23,991</b>	<b>63,537</b>	<b>1,630</b>	<b>89,158</b>
Net book value:				
<b>At 31 December 2000</b>	<b>274,074</b>	<b>10,425</b>	<b>–</b>	<b>284,499</b>
At 31 December 1999	253,029	8,840	–	261,869

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

	Group	
	2000 HK\$'000	1999 HK\$'000
At cost:		
Medium term leases	<b>85,614</b>	11,914
Long term leases	<b>212,451</b>	260,603
	<b>298,065</b>	272,517

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 26).

# Notes to Financial Statements

31 December 2000

## 24. 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	
	2000 HK\$'000	1999 HK\$'000
Aggregate amount of principal and interest outstanding at the end of year	<b>3,926</b>	7,065
Maximum aggregate amount of principal and interest outstanding during the year	<b>7,065</b>	7,418

## 25. Customer Deposits

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

	Group	
	2000 HK\$'000	1999 HK\$'000
Repayable:		
On demand	<b>5,652</b>	3,957
Three months or less	<b>1,074,362</b>	1,030,077
One year or less but over three months	<b>238,804</b>	268,231
Five years or less but over one year	–	2,116
	<b>1,318,818</b>	1,304,381

There were no deposits accepted from a fellow subsidiary in the ordinary course of business and under normal commercial terms at the balance sheet date (1999: HK\$330,740,000).

## 26. Interest-bearing Bank Borrowings

	Group	
	2000 HK\$'000	1999 HK\$'000
Bank overdrafts:		
Secured	–	4,395
Bank loans:		
Secured	<b>15,458</b>	175,392
Unsecured	<b>749,414</b>	799,414
	<b>764,872</b>	979,201

Included in bank loans were loans amounting to HK\$749,414,000 (1999: HK\$799,414,000) obtained from a fellow subsidiary, which is a bank.



# Notes to Financial Statements

31 December 2000

## 26. Interest-bearing Bank Borrowings (Continued)

	Group	
	2000 HK\$'000	1999 HK\$'000
Bank overdrafts repayable on demand or within one year	–	4,395
Bank loans repayable:		
Within one year	<b>15,458</b>	104,159
In the second year	<b>749,414</b>	870,647
In the third to fifth years, inclusive	–	–
	<b>764,872</b>	974,806
	<b>764,872</b>	979,201
Portion classified as current liabilities	<b>(15,458)</b>	(108,554)
Long term portion	<b>749,414</b>	870,647

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

- (i) A placement with a bank amounting to HK\$5,000,000 (1999: HK\$5,000,000) (*note 14*). The facility had not been utilised during the year.
- (ii) Fixed charges over certain of the Group's loans and advances (*note 6*).
- (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\$52,779,000 (1999: HK\$54,256,000) (*note 23*).
- (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 (1999: HK\$29,508,000) (*note 19*).
- (v) Fixed charges on certain of inventories with carrying value in total of HK\$22,496,000 (1999: HK\$20,731,000) (*note 17*).

# Notes to Financial Statements

31 December 2000

## 27. Other Liabilities

	Notes	Group		Company	
		2000	1999	2000	1999
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Creditors, accruals and interest payable		<b>111,913</b>	111,996	<b>446</b>	462
Amount due to ultimate holding					
Company		<b>44</b>	44	–	–
Tax payable		<b>33,100</b>	78,451	<b>169</b>	169
Proposed final dividend	12	<b>169,686</b>	88,378	<b>169,685</b>	88,378
Deferred tax	28	<b>10,690</b>	10,690	–	–
		<b>325,433</b>	289,559	<b>170,300</b>	89,009

Included in creditors, accruals and interest payable was interest payable of HK\$678,000 (1999: Nil) for a long term loan from a fellow subsidiary. There was no interest payable (1999: HK\$4,879,000) for fixed deposits placed from a fellow subsidiary.

## 28. Deferred Tax

	Group	
	2000	1999
	HK\$'000	HK\$'000
Balance at beginning of year	<b>10,690</b>	10,690
Credit for the year	–	–
Balance at 31 December	<b>10,690</b>	10,690

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

	Provided		Unprovided	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Commission expenses claimed over amount amortised	<b>10,690</b>	10,690	–	–
Unutilised tax losses	–	–	<b>(134,768)</b>	(117,842)
	<b>10,690</b>	10,690	<b>(134,768)</b>	(117,842)

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.

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

# Notes to Financial Statements

31 December 2000

## 29. Share Capital

	2000 HK\$'000	1999 HK\$'000
<b>Ordinary shares</b>		
Authorised: 1,000,000,000 (1999: 1,000,000,000) ordinary shares of HK\$0.10 each	<b>100,000</b>	100,000
Issued and fully paid: 707,022,412 (1999: 707,022,412) ordinary shares of HK\$0.10 each	<b>70,702</b>	70,702

### Share options

Pursuant to the Share Option Scheme for Employees (the "scheme") 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:

- (a) 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 were duly approved on 11 September 1991, and lapsed on 10 September 1996; and
- (b) 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, and 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 25,652,000 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, none of share options was exercised by employees and 2,798,000 share options were lapsed. Hence, there were 23,140,000 share options outstanding as at 31 December 2000.

# Notes to Financial Statements

31 December 2000

## 30. Reserves

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Long term investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>Group</b>								
At 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 (note 12)	–	–	–	–	–	–	(141,405)	(141,405)
At 31 December 1999 and 1 January 2000	1,206,157	829	96,116	86,844	428	–	1,207,918	2,598,292
Movement in market value (note 18)	–	–	–	–	–	14,147	–	14,147
Capitalisation of share issue expenses of a subsidiary	–	–	–	(1,277)	–	–	–	(1,277)
Profit for the year	–	–	–	–	–	–	446,638	446,638
Dividends (note 12)	–	–	–	–	–	–	(226,245)	(226,245)
<b>At 31 December 2000</b>	<b>1,206,157</b>	<b>829</b>	<b>96,116</b>	<b>85,567</b>	<b>428</b>	<b>14,147</b>	<b>1,428,311</b>	<b>2,831,555</b>
Reserves retained by:								
Company and subsidiaries	1,206,157	829	96,116	85,567	–	14,147	1,443,334	2,846,150
Associates	–	–	–	–	428	–	(15,023)	(14,595)
<b>At 31 December 2000</b>	<b>1,206,157</b>	<b>829</b>	<b>96,116</b>	<b>85,567</b>	<b>428</b>	<b>14,147</b>	<b>1,428,311</b>	<b>2,831,555</b>
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
<b>Company</b>								
At 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 (note 12)	–	–	–	–	–	–	(141,405)	(141,405)
At 31 December 1999 and 1 January 2000	1,206,157	829	194,524	–	–	–	195,700	1,597,210
Profit for the year	–	–	–	–	–	–	238,770	238,770
Dividends (note 12)	–	–	–	–	–	–	(226,245)	(226,245)
<b>At 31 December 2000</b>	<b>1,206,157</b>	<b>829</b>	<b>194,524</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>208,225</b>	<b>1,609,735</b>

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 therefor.

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

# Notes to Financial Statements

31 December 2000

## 31. Notes to the Consolidated Cash Flow Statement

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

	Group	
	2000 HK\$'000	1999 HK\$'000
Profit before tax	<b>531,479</b>	433,782
Depreciation	<b>8,889</b>	8,835
Loss on disposal of fixed assets	<b>194</b>	133
Decrease in provisions for bad and doubtful debts	<b>(16,461)</b>	(102,981)
Dividends from listed investments	<b>(64)</b>	–
Amortisation of intangible assets	<b>25</b>	–
Amortisation and write-off of commission expenses	<b>13,128</b>	39,119
Provision for diminution in value of inventories of taxi licences	–	24
Provision for loss on an amount due from an associate	<b>1,054</b>	–
Share of results from associates	<b>2,618</b>	480
Deficit on revaluation of investment properties	<b>1,800</b>	6,299
Increase in other debtors, interest receivable, deposits and prepayments	<b>(23,983)</b>	(164,829)
Decrease in creditors, accruals and interest payable	<b>(83)</b>	(13,809)
Decrease in amounts due from associates	<b>1,956</b>	608
Decrease in inventories	<b>6,669</b>	44,064
Decrease in deferred expenditure	<b>3,946</b>	6,150
Decrease in bank borrowings	<b>(209,934)</b>	(104,588)
Increase in an amount due to the holding company	–	134
Net cash inflow from trading activities	<b>321,233</b>	153,421
Decrease in deposits from a financial institution	–	(313,029)
Increase in customer deposits	<b>14,437</b>	301,017
Decrease in loans and advances	<b>246</b>	519,211
Net cash inflow from operating activities	<b>335,916</b>	660,620

# Notes to Financial Statements

31 December 2000

## 31. Notes to the Consolidated Cash Flow Statement (Continued)

### (b) Analysis of changes in financing during the year

	Group	
	Share capital (including share premium) HK\$'000	Minority interests HK\$'000
Balance at 1 January 1999	1,276,668	188,991
Shares issued by exercise of share options	191	–
Share of loss for the year	–	(16,388)
Dividends paid to minority interests	–	(30)
Balance at 31 December 1999 and 1 January 2000	1,276,859	172,573
Share of profit for the year	–	1,394
Dividends paid to minority interests	–	(819)
Preference shares issued	–	17,680
<b>Balance at 31 December 2000</b>	<b>1,276,859</b>	<b>190,828</b>

### (c) Major non-cash transactions

As further detailed in note 16 to the financial statements, during the year the Group received a Stock Exchange Trading Right and the HKEC Shares in exchange for its one share previously held in the Stock Exchange.

## 32. Commitments

	Group	
	2000 HK\$'000	1999 HK\$'000
Capital commitments:		
Authorised, but not contracted for	–	–
Contracted for, but not provided in the financial statements:		
Purchases of fixed assets	–	11,300
Others	<b>108</b>	105
	<b>108</b>	11,405
Annual commitments under non-cancellable operating leases for land and buildings expiring:		
Within one year	<b>4,179</b>	4,882
In the second to fifth years, inclusive	<b>12,433</b>	12,103
	<b>16,612</b>	16,985

The Company had no material outstanding commitments at the balance sheet date (1999: Nil).

# Notes to Financial Statements

31 December 2000

## 33. Undrawn Loan Facilities

The undrawn loan facilities relate to customers of JCG Finance.

	Group		1999	
	2000	Risk	Contractual	Risk
	Contractual	weighted	amount	weighted
	amount	amount	amount	amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
With an original maturity of less than one year or which are unconditionally cancellable	<b>73,700</b>	–	143,096	–

Included in the undrawn loan facilities were HK\$30,000,000 (1999: HK\$95,000,000) and HK\$20,000,000 (1999: 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	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(a) Guarantees under the joint financing arrangements given to				
- The ultimate holding company	<b>770</b>	770	–	–
- Other co-financing banks	<b>9,186</b>	29,414	–	–
	<b>9,956</b>	30,184	–	–

(b) Various ex-employees of the restaurants formerly operated by four subsidiaries of the Winton Group had served summonses in July 2000 to the subsidiaries seeking to file their respective statements of claim. These and other related matters will come up for hearing in early 2001. In the statements of claim sought to be filed, the ex-employees (save for one ex-employee in one of the subsidiaries) are seeking declarations against the subsidiaries rather than claiming specific amounts. In view of the financial position of the subsidiaries and having considered the advice of legal advisers, the directors of three of the above subsidiaries have resolved to put their respective companies into creditors' voluntary liquidation. As regards the claims against the remaining subsidiary, based on legal advice, these will continue to be defended (*note 36*).

# Notes to Financial Statements

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## 34. Contingent Liabilities (Continued)

- (c) As at the balance sheet date, a wholly-owned subsidiary of the Winton Group was named as second defendant in a legal action initiated by an individual claiming a sum of approximately HK\$12,537,952 for damages and loss of future earnings relating to injuries sustained by the said individual in a traffic accident involving a taxi owned and leased by the said subsidiary to a taxi hirer at the time of the accident. The taxi was covered under a third party insurance policy and the claim is being attended by the insurance company. Accordingly, no provision in respect thereof has been made.

## 35. 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	
		2000 HK\$'000	1999 HK\$'000
Interest paid to the ultimate holding company	(a)	–	40
Commission received from the ultimate holding company	(a)	<b>104</b>	122
Interest paid to fellow subsidiaries	(b)	<b>85,432</b>	87,388
Interest received from a fellow subsidiary	(b)	<b>15,756</b>	–
Rental income received from the ultimate holding company	(c)	<b>1,027</b>	1,193
Management fees received from the ultimate holding company	(d)	<b>267</b>	298
Interest income from associates	(e)	<b>961</b>	2,353
Provision for loss on amount due from an associates	(f)	<b>1,054</b>	–

- (a) The commission income of HK\$76,000 (1999: HK\$122,000) was received from Public Bank under the Co-Financing Arrangement. During the year, no new hire purchase loans (1999: Nil) were 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 heading "Connected transactions" in the Report of the Directors.

The commission income of HK\$28,000 (1999: Nil) received from referrals of floating rate hire-purchase loans to Public Bank was determined based on market practice.



# Notes to Financial Statements

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## 35. Related Party Transactions (Continued)

- (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 (*note 25*).

PBL granted loans to the Group during the year. The principal amount of the loans were utilised up to HK\$749,414,000 (1999: HK\$799,414,000) at the balance sheet date (*note 26*).

In addition, the Group's placement with a fellow subsidiary during the year amounting to HK\$300,000,000 (1999: Nil) at the balance sheet date (*note 15*).

- (c) The rental income was derived from properties included in fixed assets, which were rented to:
- (i) Public Bank as its staff quarters for a term of three years commencing on 1 August 1999 at a monthly rental of HK\$22,000; and
  - (ii) Public Bank as its office. The related Lease Arrangement was renewed on 1 September 2000 for a term of 23 months at a monthly rental of HK\$47,700.
- (d) The management fees arose from administrative services provided by the Group to the ultimate holding company. They were charged based on the cost incurred by the Group during the year.
- (e) The interest income arose from the amount due from associated companies (*note 21*).
- (f) The amount represented provision for loss on an amount due from an associate, the recoverability of which was doubtful. Accordingly, full provision was made in 2000.

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.

## 36. Post Balance Sheet Events

Three subsidiaries of the Group, namely Lion Crown Company Limited, Shuning Shing Limited and Worthy Park Company Limited which have been dormant, resolved on 16 January 2001 to wind up the respective companies voluntarily under section 241 of the Companies Ordinance. The above is not expected to have a significant impact on the financial position of the Group (*note 34(b)*).

## 37. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

## 38. Approval of the Financial Statements

The financial statements were approved by the board of directors on 20 January 2001.