



JCG HOLDINGS LIMITED





# 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 and Principal Place of Business

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  
Central  
Hong Kong

## Auditors

Ernst & Young  
Certified Public Accountants

## Legal Advisers

Charles Yeung Clement Lam Liu & Yip  
CMS Cameron Mckenna  
Deacons  
Francis K W Ho & Co

## Principal Bankers

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

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of shareholders of JCG Holdings Limited (the “Company”) will be held at Ivy Room, 10th Floor, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong on 28 February 2002 (Thursday) at 10:30 a.m. for the following purposes:-

## As Ordinary Business:

1. To receive and consider the audited financial statements and the Reports of the Directors and the Auditors for the year ended 31 December 2001.
2. To declare a final dividend for the year ended 31 December 2001.
3. To re-elect Directors and to authorise the Board of Directors to fix Directors’ remuneration.
4. To re-appoint Messrs. Ernst & Young as auditors and to authorise the Board of Directors to fix their remuneration.

## As Special Business:

5. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:—

“THAT:—

- (a) subject to the following provisions of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company, and to make or grant offers, agreements or options which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved to the exclusion of any existing specific authority;
- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements or options which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue; (ii) the exercise of warrants, if any, to subscribe for shares of the Company or the exercise of options granted under any share option scheme adopted by the Company; (iii) an issue of shares of the Company in lieu of the whole or part of a dividend on shares of the Company in accordance with the Company’s bye-laws; or (iv) an issue of shares made pro rata to holders of shares in the Company on a fixed record date, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution:-

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the bye-laws of the Company to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

# Notice of Annual General Meeting

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to the holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restriction or obligation under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

6. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:—

“THAT:—

- (a) the exercise by the Directors of the Company during the Relevant Period (as defined below) of all powers of the Company to repurchase shares of HK\$0.10 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares to be repurchased pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution, and the said approval shall be limited accordingly;
- (c) for the purpose of this Resolution:—

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the bye-laws of the Company to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

7. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:—

“THAT, subject to the passing of Ordinary Resolutions numbered 5 and 6 as set out in this Notice of Annual General Meeting, the general mandate granted to the Directors of the Company to exercise the powers of the Company to allot shares be and is hereby extended by the additions to the aggregate nominal amount of share capital which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of shares in the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution numbered 6 set out in this Notice of Annual General Meeting, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution.”

8. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:—

“THAT:—

conditional upon the Listing Committee of the Stock Exchange granting:

- (i) approval of the new share option scheme of the Company’s 75% owned subsidiary (the “Winton Scheme”), Winton Holdings (Bermuda) Limited (“Winton”), the rules of which are contained in the document marked “A” produced to the meeting and for the purposes of identification signed by the Chairman thereof;

# Notice of Annual General Meeting

- (ii) approval of the granting of any options thereunder; and
- (iii) the listing of and permission to deal in the shares of Winton to be issued pursuant to the exercise of any such options,

and subject to such amendments to the Winton Scheme as the Stock Exchange may request and the approval of the Winton Scheme by the shareholders of Winton in general meeting and (if so required) the approval of the Winton Scheme by the shareholders of Public Bank Berhad and (if so required) by the Kuala Lumpur Stock Exchange, the Winton Scheme be and is hereby approved.”

9. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:—

“THAT:—

- (a) conditional upon the Listing Committee of the Stock Exchange granting:
  - (i) approval of the new share option scheme of the Company (the “Scheme”), the rules of which are contained in the document marked “B” produced to the meeting and for the purposes of identification signed by the Chairman thereof;
  - (ii) approval of the granting of any options thereunder; and
  - (iii) the listing of and permission to deal in the shares of the Company to be issued pursuant to the exercise of any such options,

and subject to such amendments to the Scheme as the Stock Exchange may request and (if so required) the approval of the Scheme by the shareholders of Public Bank Berhad and (if so required) by the Kuala Lumpur Stock Exchange, the Scheme be and is hereby approved and adopted, and the Board of Directors of the Company be and is hereby authorised to grant option under the Scheme and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Scheme; and

- (b) the existing share option scheme of the Company adopted on 20 March 1997 be and is hereby terminated with immediate effect.”

By order of the Board  
**Tan Yoke Kong**  
*Company Secretary*

Hong Kong, 16 January 2002

*Notes:*

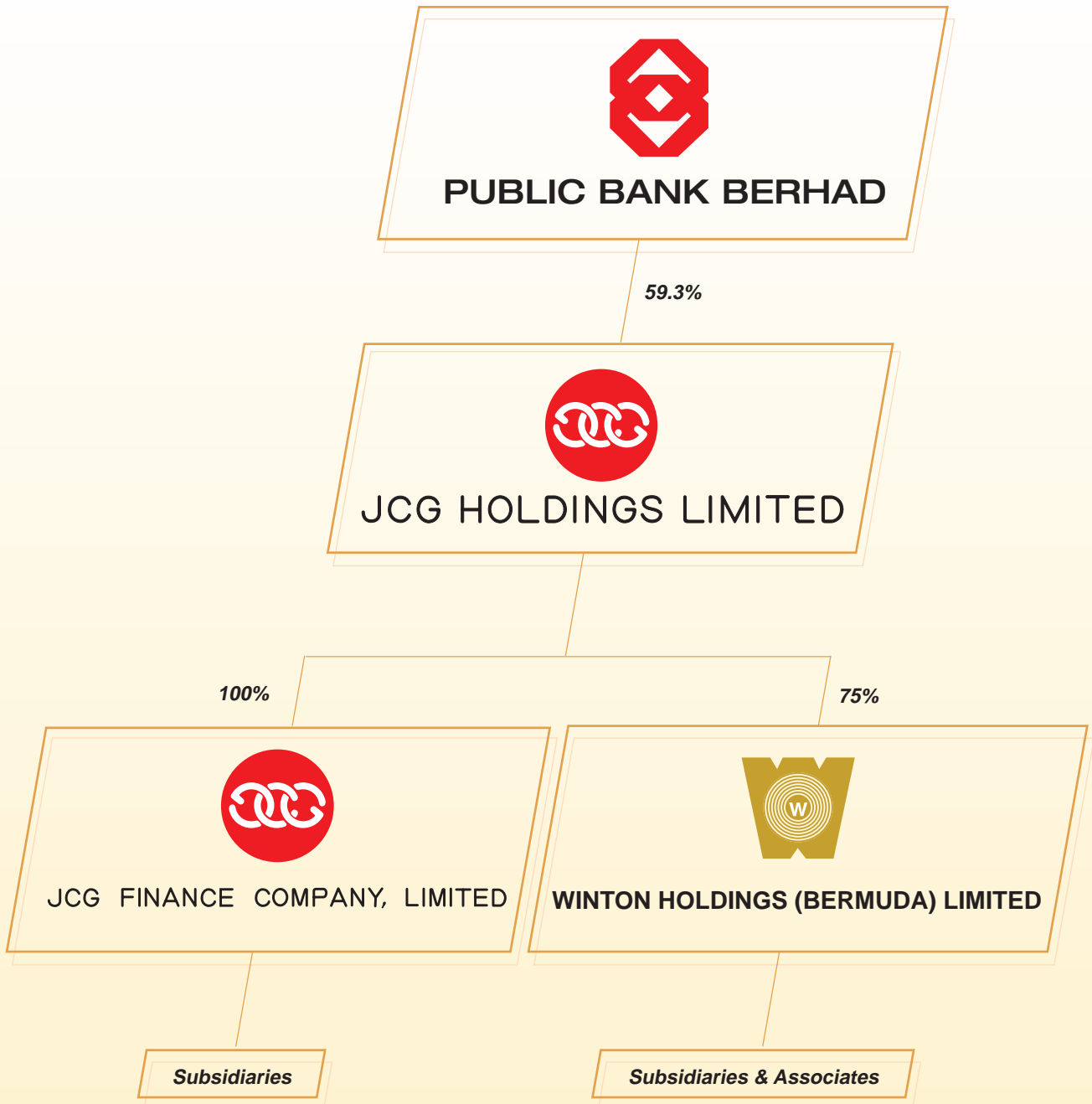
1. The Register of Members will be closed from 22 February 2002 to 28 February 2002, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar, Tengis Limited, 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Thursday, 21 February 2002.
2. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. Proxies in the prescribed form must be lodged with the Company’s Share Registrar, Tengis Limited, 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than forty-eight hours before the time fixed for holding the meeting.

# Notice of Annual General Meeting

3. Concerning Resolution No.5 of this notice, approval is being sought from Members for a general mandate to authorise allotment of shares in the capital of the Company in order to give flexibility to the Directors in the event it becomes desirable to issue any additional shares of the Company. The Directors have no immediate plan to issue any new shares of the Company pursuant to such approval.
4. Concerning Resolution No.6 of this notice, approval is being sought from Members for a general mandate to be given to the Directors to repurchase shares.
5. Concerning Resolution No.7 of this notice, approval is being sought from Members for an extension of the general mandate sought to be granted to the Directors of the Company to allot shares by adding to it the number of shares which shall have been repurchased under the authority granted pursuant to the Resolution contained in item 6 of this notice.
6. Concerning Resolutions Nos.8 and 9 of this notice, approvals are being sought from Members for the adoption of the new share option schemes of both Winton and the Company and the termination of the existing share option scheme of the Company to accommodate recent amendments made to “Chapter 17 Equity Securities – Share Option Schemes” of the Listing Rules.
7. A circular containing the information regarding Resolutions Nos.8 and 9 of this notice together with an explanatory statement containing the information regarding Resolution No.6 of this notice will be sent to Members with the Company’s 2001 Annual Report.

# JCG Holdings Limited – Group Structure

31 December 2001





## Hong Kong

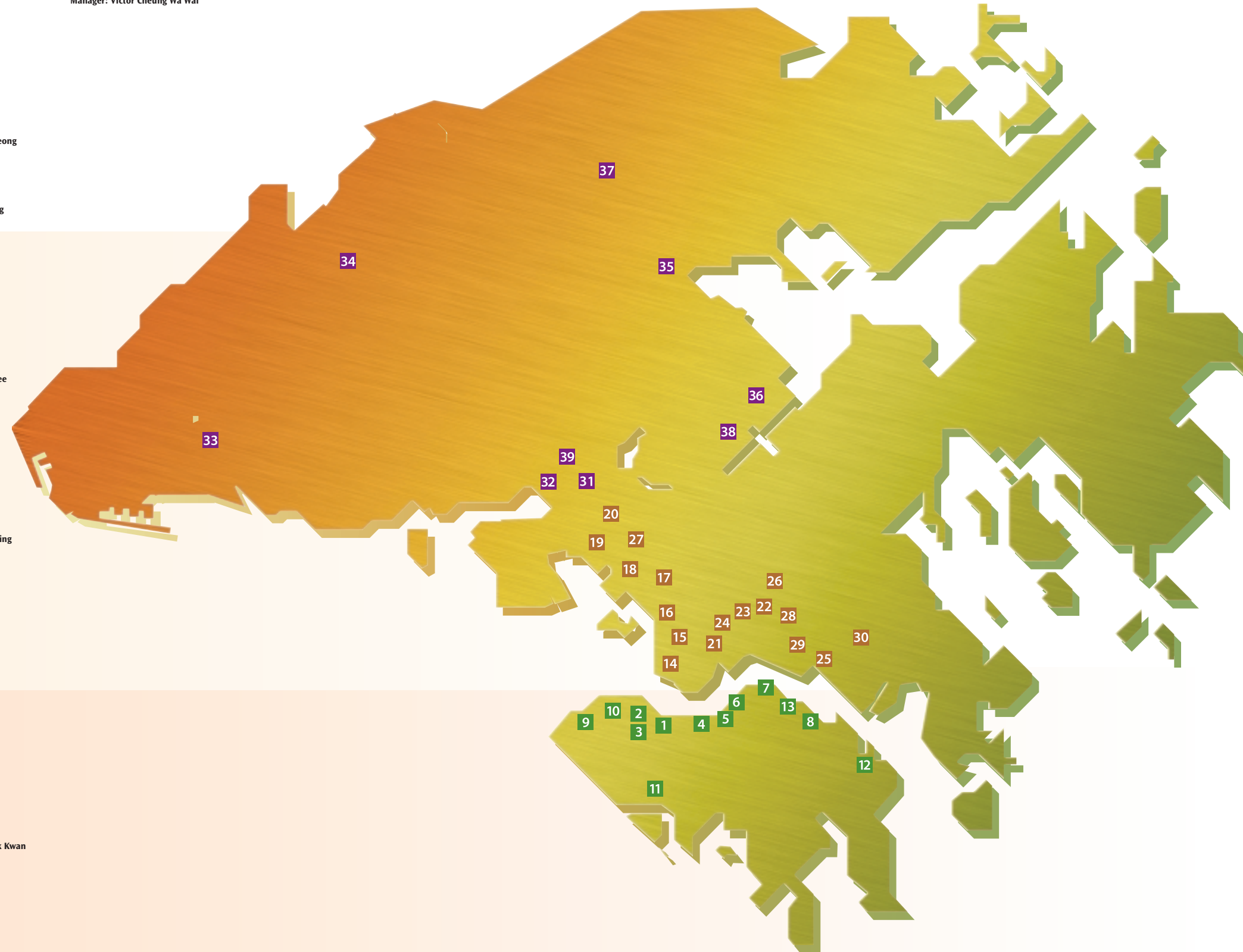
- 1 Landmark Branch**  
Room 1907, Gloucester Tower  
The Landmark, Central  
Tel: 25266415 Fax: 28779088  
Manager: Paul Wong Chun Tui
- 2 Central Branch**  
M/F, Chung Nam House  
59 Des Voeux Road, Central  
Tel: 25248676 Fax: 28779084  
Manager: Jimmy Wong Kai Ip
- 3 Wing On House Branch**  
Room 1109-10, Wing On House  
71 Des Voeux Road, Central  
Tel: 25259351 Fax: 28450681  
Zone Manager: Umali Ofelia T.
- 4 Wanchai Branch**  
G/F, 170 Hennessy Road  
Tel: 25746245 Fax: 28936653  
Manager: Ringo Cheng Man Kwong
- 5 Tin Lok Lane Branch**  
G/F, Foo Tak Building  
365 Hennessy Road, Wanchai  
Tel: 28917028 Fax: 28933769  
Manager: Alex Leung Cheuk Kwan
- 6 Causeway Bay Branch**  
1/F, Coasia Building  
496-498 Lockhart Road  
Tel: 28936575 Fax: 28932770  
Manager: Tong Woon Shing
- 7 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
- 8 Shaufeiwan Branch**  
G/F, 134 Shaufeiwan Road  
Tel: 25670461 Fax: 28858501  
Manager: Li Wai Yin
- 9 Shek Tong Tsui Branch**  
Shop G1, Hong Kong Plaza  
188 Connaught Road West  
Tel: 28176125 Fax: 28177618  
Manager: Kam Ying Wah
- 10 Western District Branch**  
G/F, 260 Des Voeux Road West  
Tel: 25479148 Fax: 25461142  
Manager: Denise Ho Mei Yu
- 11 Aberdeen Branch**  
Shop A, G/F Kong Kai Building  
184-188 Aberdeen Main Road  
Tel: 25538231 Fax: 25543897  
Manager: Daniel Louie Kin Cheong
- 12 Chai Wan Branch**  
G/F, Flat B, 77 Walton Estate  
341-343 Chai Wan Road  
Tel: 25578003 Fax: 25574088  
Manager: Jeffery Chan Siu Sung
- 13 Quarry Bay Branch**  
G/F, 14 Hoi Kwong Street  
Tel: 25166368 Fax: 25790084  
Manager: Victor Cheung Wa Wai

## Kowloon

- 14 Star House Branch**  
Basement, Shop B9 & B10  
Star House Plaza, TST  
Tel: 27308395 Fax: 27302346  
Manager: Wilson Wu Kin Sang
- 15 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
- 16 Jordan Road Branch**  
Shop B, G/F Dao Hing Building  
34, Jordan Road  
Tel: 27364711 Fax: 23148432  
Manager: Solomon Leung Kwok Chung
- 17 Nathan Road Branch**  
G/F, 480 Nathan Road  
Tel: 27715285 Fax: 27704127  
Manager: Taylor Kan Yuk Lun
- 18 Mongkok Branch**  
G/F, JCG Building  
16 Mongkok Road  
Tel: 23940253 Fax: 27875630  
Manager: Danny Poon Wai Chung
- 19 Shamshuipo Branch**  
G/F, Shop B, Wing Sing Building  
27 Castle Peak Road  
Tel: 27282347 Fax: 27299685  
Manager: Peter Chan Chiu Ming
- 20 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
- 21 Hunghom Branch**  
G/F, 130 Ma Tau Wai Road  
Tel: 23344307 Fax: 27644876  
Manager: Danny Lai Chung Wai
- 22 Sanpokong Branch**  
G/F, 92 Shung Ling Street  
Tel: 23283175 Fax: 23254504  
Manager: Ivan Lau Kan So
- 23 Kowloon City Branch**  
G/F, 31 Lion Rock Road  
Tel: 23824893 Fax: 27164819  
Manager: Ann Mary Lo Yuen Yee
- 24 Tokwawan Branch**  
Shop 9 & 10, G/F, Chong Chien Court  
355 Tokwawan Road  
Tel: 23657061 Fax: 27642832  
Manager: Raymond Law Cho Fat
- 25 Kwun Tong Branch**  
G/F, 367 Ngau Tau Kok Road  
Tel: 23440264 Fax: 27635427  
Manager: Horace Ng Pak Hung
- 26 Wong Tai Sin Branch**  
G/F, 89 Fung Tak Road  
Tel: 23205112 Fax: 27260106  
Manager: Ho Sau Yan
- 27 Prince Edward Branch**  
G/F, 751 Nathan Road  
Tel: 23803260 Fax: 23804100  
Manager: Evans Lam Kwan Chee
- 28 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
- 29 Kowloon Bay Branch**  
Unit 28, G/F,  
Fook Hong Industrial Building  
19 Sheung Yuet Road  
Tel: 27567320 Fax: 27585706  
Manager: Danny Chow Koon Ping
- 30 Tseung Kwan O Branch**  
Shop G29, G/F,  
Metro City Plaza, Phase II  
Tel: 31944312 Fax: 31944377  
Manager: Ian Ho Wai Ming

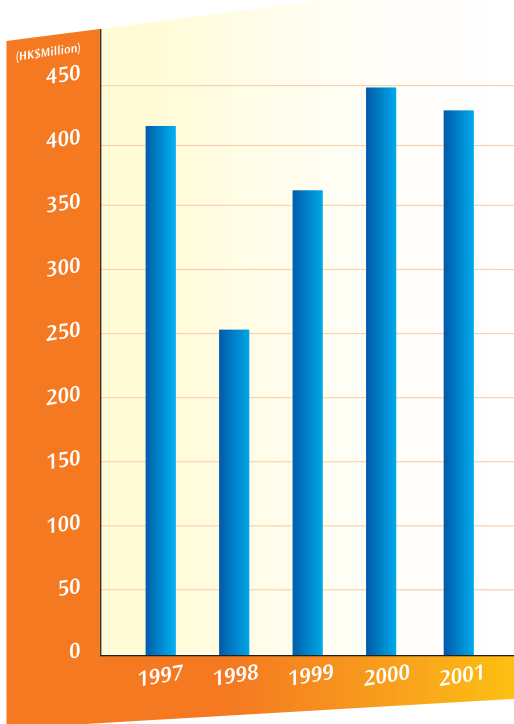
## New Territories

- 31 Kwai Chung Branch**  
Shop 301, 3/F  
Kwai Chung Plaza  
7-11 Kwai Foo Road  
Tel: 24200121 Fax: 24850590  
Manager: Michael Yuen Chak Sang
- 32 Tsuen Wan Branch**  
G/F, 232 Sha Tsui Road  
Tel: 24934187 Fax: 24174497  
Manager: Leung Chiu Kwong
- 33 Tuen Mun Branch**  
G/F, Shop 7, Mei Hang Building  
Kai Man Path, Sun Hui  
Tel: 24572901 Fax: 24402503  
Manager: Ricky Cheng Ho Fat
- 34 Yuen Long Branch**  
G/F, 182 Main Road  
Tel: 24762146 Fax: 24759903  
Manager: Eric Lee Man Fai
- 35 Tai Po Branch**  
G/F, 86 Kwong Fuk Road  
Tel: 26565207 Fax: 26577019  
Manager: Eric Leung Kwok Fai
- 36 Shatin Branch**  
Shop 10A, 11A & B  
Lucky Plaza Commercial Centre  
Tel: 26995633 Fax: 26914588  
Manager: Dennis Law Shue Sum
- 37 Sheung Shui Branch**  
G/F, 99 San Fung Avenue  
Tel: 26732729 Fax: 26739278  
Manager: Ho Kam Ming
- 38 Tai Wai Branch**  
Shop 2C, G/F  
11-13 Chik Fai Street  
Tel: 26092611 Fax: 26094088  
Manager: Raymond Yuen Chuk Kwan
- 39 Nan Fung Centre Branch**  
Rm 1523 Nan Fung Centre  
264-298 Castle Peak Road  
Tel: 24141198 Fax: 24131624  
Manager: Tony Tong Ka Ling

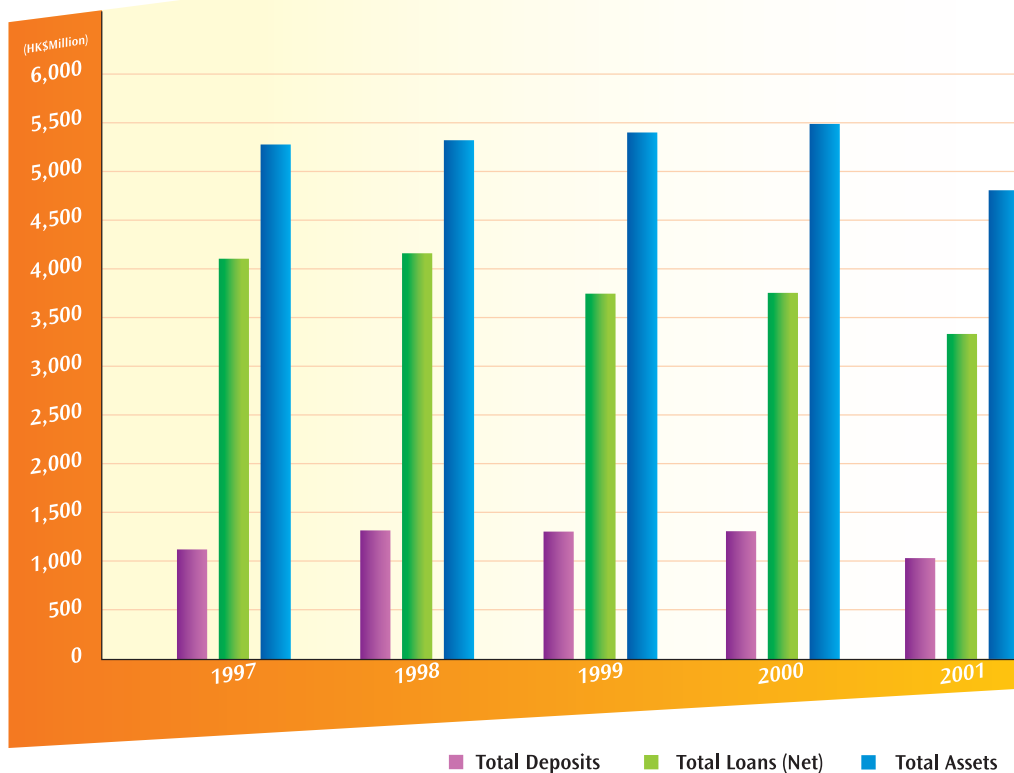
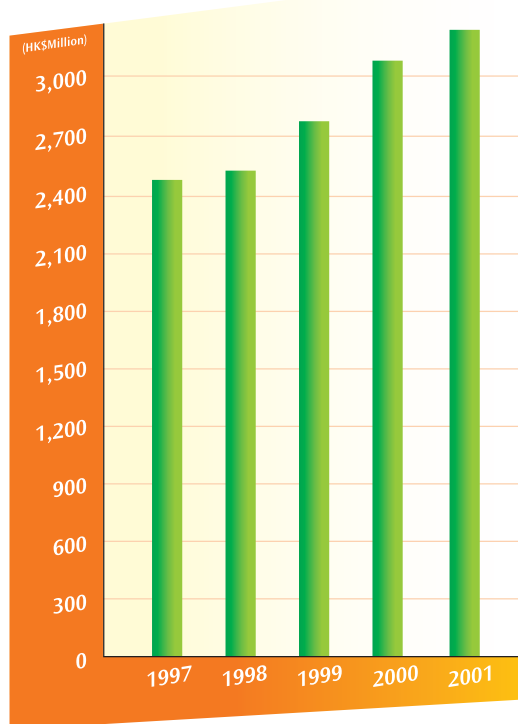


# Five Year Financial Summary

## Net Profit



## Shareholders' Funds



# Five Year Financial Summary

## 2001 Financial Highlights

Net profit:	HK\$428.8m
Loans and advances (net):	HK\$3,341.5m
Customer deposits:	HK\$1,033.5m
Shareholders' funds:	HK\$3,266.4m
Earnings per share:	60.7 cents
Total dividends per share:	32.0 cents
(Final dividend: 23.5 Cents)	

A summary of the results and of the assets and liabilities of JCG Holdings Limited and its subsidiaries for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out below.

	Year ended 31 December				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Loans and advances (net)	<b>3,341,461</b>	3,772,985	3,756,770	4,173,000	4,118,667
Other assets	<b>1,473,945</b>	1,729,223	1,657,938	1,157,624	1,166,702
Total assets	<b>4,815,406</b>	5,502,208	5,414,708	5,330,624	5,285,369
Customer deposits	<b>1,033,546</b>	1,318,818	1,304,381	1,003,364	818,122
Deposit from a financial institution	—	—	—	313,029	309,263
Other liabilities	<b>309,780</b>	920,619	1,180,382	1,291,997	1,444,379
Total liabilities	<b>1,343,326</b>	2,239,437	2,484,763	2,608,390	2,571,764
Net assets	<b>3,472,080</b>	3,262,771	2,929,945	2,722,234	2,713,605
Shareholders' funds	<b>3,266,370</b>	3,071,943	2,757,372	2,533,243	2,485,031
Minority interests	<b>205,710</b>	190,828	172,573	188,991	228,574
Total capital resources	<b>3,472,080</b>	3,262,771	2,929,945	2,722,234	2,713,605
Net profit attributable to shareholders	<b>428,832</b>	446,638	365,338	254,338	416,328
Basic earnings per share (cents)	<b>60.7</b>	63.2	51.7	36.0	58.3

# Chairman's Statement



*“ I am pleased to present a review of the results of the Group for the financial year ended 31 December 2001. ”*

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

## Group Performance

During the year under review, Hong Kong experienced a continued slow down in its economy, rising unemployment rate and escalating number of personal bankruptcies. Despite the difficult operating environment, JCG Holdings Limited (the “Company”) and its subsidiaries (the “Group”) recorded a slight decline in profit after tax and minority interests of 4.0% or HK\$17.8 million to HK\$428.8 million for the year ended 31 December 2001. At operating level, the Group recorded a growth in operating profit before provision by 8.5% or HK\$65.0 million from HK\$760.4 million in year 2000 to HK\$825.4 million in year 2001. The Group's earnings per share declined by 2.5 cents per share to 60.7 cents per share in 2001 from 63.2 cents per share in 2000.

The Directors recommended a final dividend of 23.5 cents (2000: 24.0 cents) per share, and together with the interim dividend of 8.5 cents per share (2000: 8.0 cents), the total dividend for the year was 32.0 cents (2000: 32.0 cents) per share.

The slight decline in net profit of the Group was mainly attributed to the decrease in profit after tax from its wholly owned subsidiary, JCG Finance Company, Limited (“JCG Finance”), mainly due to higher bad debts arising from a sharp rise in personal bankruptcies, whilst its 75% owned subsidiary, Winton Holdings (Bermuda) Limited (“Winton”) and its subsidiaries (“Winton Group”) recorded a significant increase in profit after tax by HK\$68.1 million to HK\$73.0 million, mainly due to lower defaults in taxi financing loans, decline in interest cost from bank borrowings and lower operating expenses.

Following the change in bankruptcy law in 1998, which provides for a bankrupt to be automatically discharged of his/her debts after 4 years, Hong Kong has experienced an upward trend in personal bankruptcies. In 2001, the number of personal bankruptcies in Hong Kong reached a record high, and consequently, the bad debts on consumer loans of JCG Finance rose sharply. However, Winton Group recorded lower defaults in taxi financing loans during the year. The Group's provision for bad and doubtful debts increased sharply by 38.2% or HK\$86.5 million to HK\$312.8 million from HK\$226.3 million in 2000. The Group continues to adopt a prudent and conservative provisioning policy.

During the year, the Group recorded a moderate growth in net interest income by 7.8% or HK\$60.6 million to HK\$839.1 million from HK\$778.5 million in 2000. Following the general decline in market interest rates and decrease in bank borrowings of Winton Group, the Group's interest expense fell sharply by 46.2% or HK\$76.9 million to HK\$89.6 million in 2001 from HK\$166.5 million in 2000. On the other hand, the Group's interest income declined marginally by 1.7% or HK\$16.3 million to HK\$928.7 million in 2001, from HK\$945.0 million in 2000. JCG Finance's interest income grew by 3.4% or HK\$26.3 million on increase in gross loans and advances, while Winton Group's interest income contracted by 24.6% or HK\$40.3 million after a sharp decrease in gross loans and advances, which fell by 54.5% or HK\$520.6 million when compared with last year. The decrease in the loans and advances of Winton Group was mainly due to loan repayments and early settlement of taxi financing loans, while a relatively lower volume of new taxi financing loans was recorded. Also, during the year, Winton Group continued to refer taxi financing loans to its panel of financiers for commission income.

## Group Performance (continued)

The Group's other operating income in the year decreased by 7.5% or HK\$16.2 million to HK\$199.8 million from HK\$216.0 million in 2000, mainly due to a decrease in net profit from trading activities by HK\$5.9 million from Winton Group, and a marginal decrease in loans processing and related fees from lower volume of refinancing of consumer loans from JCG Finance. At the same time, the Group recorded a revaluation surplus of HK\$2.8 million in 2001 against a revaluation deficit of HK\$1.8 million in 2000 upon revaluation of the Group's investment properties.

The Group's operating expenses in the year decreased by 8.8% or HK\$20.6 million to HK\$213.5 million from HK\$234.1 million in 2000 as the Group took measures to reduce its operating expenses. Staff cost fell by 5.1% or HK\$5.4 million to HK\$99.9 million in 2001, from HK\$105.3 million in 2000. At the same time, the Group's amortisation and write off of commission expenses also fell by HK\$12.8 million due to a lower number of new taxi financing loans booked in the past years.

During the year, competition for lending especially in consumer loans amongst financial institutions in Hong Kong intensified. Despite that, JCG Finance recorded a moderate increase in gross loans and advances of 2.7% or HK\$84.4 million to HK\$3,241.8 million after an aggressive write off of bad debts of HK\$308.2 million. However, the decrease in Winton Group's gross loans and advances by 54.5% or HK\$520.6 million to HK\$433.9 million as at 31 December 2001 from HK\$954.5 million as at 31 December 2000 following a higher level of early settlement of taxi financing loans, has resulted in the Group's gross loans and advances to decline by 10.6% or HK\$436.0 million to HK\$3,675.8 million at the end of 2001 from HK\$4,111.8 million at the end of 2000.

The Group managed its funding needs according to the demand for its loans and advances. During the year, JCG Finance utilised its retained earnings to fund the growth in gross loans and advances, while Winton Group repaid HK\$564.9 million of its bank borrowings from proceeds received from early settlement of taxi financing loans.

The shareholders' funds (net of proposed final dividend) of the Group strengthened further by 6.8% or HK\$197.9 million to HK\$3,100.2 million as at 31 December 2001 from HK\$2,902.3 million as at 31 December 2000, mainly from increase in retained earnings.

## Business Development

In view of the rising personal bankruptcies and high unemployment rate in Hong Kong, JCG Finance continued to adopt a cautious approach to expand its core business of consumer loans. During the year, JCG Finance increased its marketing activities and promotions to attract new customers from selected market segments. To counter the rising personal bankruptcies, JCG Finance has adopted more stringent credit assessment criteria and loan limits for applicants of consumer loans, and has joined an external credit information bureau to apply stricter credit checking procedures on consumer loan applicants.

Winton Group will continue to refer taxi financing loans to its panel of financiers in the coming year, and generate commission income in return. Winton Group will also continue to invite other financial institutions to join its panel of financiers, and increase the opportunity to refer taxi financing loans to them.

## Human Resources Development

The Group continued to place great emphasis on staff remuneration and staff development. The Group adopted an incentive bonus scheme to recognise and reward staff according to their performance. To promote staff development, the Group has organised management seminars and encouraged staff to pursue subsidised continuing education and professional courses to enhance their technical knowledge, decision-making and management skills. The Group has also organised social activities and outings to enhance staff morale and team spirit amongst them. Periodical dialogues were held between branch personnel and management to solicit customer and market feedbacks, to implement new marketing and promotional activities, and to improve the customer service. With a team of trained and highly motivated work force, the Group is well positioned to meet new opportunities and challenges ahead.

# Chairman's Statement

## Prospects

The slowdown in the Hong Kong economy, the high unemployment rate and the escalating number of personal bankruptcies are not expected to improve in the near term. The operating environment for financial institutions in Hong Kong is anticipated to remain difficult and challenging. Competition for consumer loans amongst financial institutions is expected to intensify further, as lending in the other sectors remained subdued. JCG Finance is well positioned in its niche market, and will continue to focus and grow its core business in consumer loans. With an extensive branch network, strategically located branches, efficient customer service, and aggressive marketing and promotions, JCG Finance will meet these challenges and competition ahead.

In the coming year, Winton Group will continue to focus on its taxi trading and taxi financing businesses, and refer taxi financing loans to its panel of financiers. The general market interest rates in Hong Kong is expected to remain low and taxi hirers will benefit from lower instalments payment on their taxi financing loans. Coupled with lower fuel costs and attractive rental income, taxi owners and/or hirers would have sufficient cash flows to repay the instalments on their taxi financing loans.

## Acknowledgement

On behalf of the Board of Director, 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*

The operating environment in year 2001 for the Group was difficult and challenging, as Hong Kong experienced a slowdown in the economy, higher unemployment rate and escalating number of personal bankruptcies. Amidst such an operating environment, the Group recorded a profit after tax and minority interests of HK\$428.8 million for the year ended 31 December 2001, representing a slight decline in profit of 4.0% or HK\$17.8 million as compared to the corresponding period of year 2000. Accordingly, the Group's earnings per share declined by 2.5 cents per share to 60.7 cents per share in 2001 against 63.2 cents per share in the previous year.

The decline in net profit of the Group was mainly attributed to the decrease in net profit after tax from its wholly owned subsidiary, JCG Finance; whilst its 75% owned subsidiary, Winton and its subsidiaries recorded a marked increase in net profit by HK\$68.1 million to HK\$73.0 million for the year ended 2001 as compared to HK\$4.9 million for the previous year. The decrease in JCG Finance's profit during the year was mainly due to a much higher provision for bad and doubtful debts arising from a sharp rise in personal bankruptcies from its consumer loan customers. At the operating level, however, the Group recorded an increase in operating profit before provision of HK\$65.0 million, or an increase of 8.5% from HK\$760.4 million in year 2000 to HK\$825.4 million in year 2001.

The directors recommended the payment of a final dividend of 23.5 cents per share for the year. Together with the interim dividend of 8.5 cents per share already paid, the total dividends for the year ended 31 December 2001 was 32.0 cents (2000: 32.0 cents) per share.

## Performance of business operations

### *Operating Income*

During the year, the Group's net interest income recorded a moderate increase of 7.8% or HK\$60.6 million to HK\$839.1 million, mainly due to a significant decrease in interest expense by 46.2% or HK\$76.9 million when compared to 2000. The decrease in the Group's interest expense was mainly due to lower interest paid on customer deposits of JCG Finance, and decline in the cost of bank borrowings and reduction in bank borrowings of Winton Group. On the other hand, JCG Finance's interest income rose by 3.4% or HK\$26.3 million mainly from an increase in gross loans and advances by 2.7% or HK\$84.4 million despite an aggressive write off of bad debts in 2001. The decline in interest income by 24.6% or HK\$40.3 million of Winton Group due to a decrease in loans and advances by 54.5% or HK\$520.6 million has resulted in the total interest income of the Group to decline by 1.7% or HK\$16.3 million.

The Group's other non-interest operating income fell by 7.5% or HK\$16.2 million to HK\$199.8 million in 2001 from HK\$216.0 million in 2000 mainly attributed to a decline in net profit from trading activities by HK\$5.9 million from Winton Group, and a marginal decrease in loans processing and related fees from lower refinancing of consumer loans from JCG Finance.

### *Operating Expenses*

The Group's operating expenses decreased by 8.8% or HK\$20.6 million to HK\$213.5 million in 2001 from HK\$234.1 million in 2000. During the year, the Group's staff costs declined by 5.1% or HK\$5.4 million to HK\$99.9 million from HK\$105.3 million in 2000 as the Group took measures to reduce staff costs. The amortisation and write off of commission expenses, which mainly relates to Winton Group's taxi financing business, reduced sharply by HK\$12.8 million to HK\$0.3 million, following fewer number of taxi financing loans booked in the past years. Upon revaluation of the Group's investment properties at the end of 2001, the Group recorded a revaluation surplus of HK\$2.8 million against a revaluation deficit of HK\$1.8 million at the end of 2000.

### *Provisions for Bad and Doubtful Debts*

The bankruptcy law of Hong Kong was amended and put into effect in 1998, which provides for automatic discharge of the bankrupt's debts after four years. In the last few years, Hong Kong has recorded an increasing number of personal bankruptcies, and has experienced a sharp rise in personal bankruptcies in 2001, in particular during the second half of 2001. The number of personal bankruptcies in Hong Kong during the year reached a record high giving rise to a much higher than expected increase in bad debts for the Group's consumer loans. However, the Group recorded a lower rate of defaults in the taxi financing loans of its subsidiary, Winton Group, resulting in a lower provision of bad and doubtful debts for its taxi financing loans. Consequently, the Group's provisions of bad and doubtful debts increased by 38.2% or HK\$86.5 million to HK\$312.8 million in 2001 from HK\$226.3 million in 2000. The Group will continue to adopt its prudent and conservative provisioning policies.

# Management Discussion and Analysis

## Balance sheet analysis

### *Loans and Advances*

At the end of 2001, the Group's total gross loans and advances decreased by 10.6% or HK\$436.0 million to HK\$3,675.8 million from HK\$4,111.8 million at the end of 2000. The decrease was mainly attributed to the decrease in Winton Group's gross loans and advances by 54.5% or HK\$520.6 million in 2001 following a higher level of early settlement of taxi financing loans. Despite an aggressive write-off of bad debts of HK\$308.2 million during the year, JCG Finance's gross loans and advances increased marginally by 2.7% or HK\$84.4 million to HK\$3,241.8 million as at the end of 2001 from HK\$3,157.4 million as at the end of 2000.

At the end of 2001, the Group's non-performing loans to total gross loans and advances improved marginally to 7.6%, as compared to 7.9% at the end of 2000. The non-performing loans in year 2001 included property mortgage loans and taxi financing loans of HK\$121.5 million and HK\$24.2 million, respectively, which were secured by properties, taxi cabs and taxi licences, and represented 4.0% of the Group's total gross loans and advances. Specific provisions of HK\$30.1 million and HK\$8.3 million have been made against these property mortgage loans and taxi financing loans, respectively.

### *Funding and Capital Financing*

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

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 by HK\$84.4 million to HK\$3,241.8 million was funded mainly from internally generated funds. At the end of 2001, JCG Finance's average liquidity ratio and capital adequacy ratio stood high at 170.1% and 37.7%, respectively, and a special dividend of HK\$905.8 million was paid out by JCG Finance to the Company in August 2001.

Winton Group funded its loans and advances through shareholders' funds and bank borrowings. During the year, Winton Group repaid HK\$564.9 million of its bank borrowings mainly from the proceeds received from early settlement of taxi financing loans. Accordingly, bank borrowings were reduced to HK\$200.0 million at the end of 2001. Based on bank borrowings and shareholders' funds (excluding the proposed final dividend), Winton Group's gearing ratio reached a low of 0.20 at the end of 2001 from 0.78 at the end of 2000.

For the year ended 31 December 2001, the directors recommended the payment of a final dividend of 23.5 cents per share. Together with the interim dividend of 8.5 cents per share already paid, the total dividends for the year amounted to 32.0 cents (2000: 32.0 cents) per share.

During the year, the Group did not incur any material capital expenditure commitment. Other than the release of fixed charges over certain of Winton Group's loans and advances and inventories, there were no significant changes in charges over the Group's assets when compared to that disclosed in the Company's 2000 Annual Report.

The Group's principal operations are transacted and recorded in Hong Kong Dollar. 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.

## Segment information

The Group's business comprised mainly of two segments, the personal and commercial lending, and the taxi trading and related operations, and other operations. In 2001 and 2000, over 90% of the Group's operating income and profits before tax were contributed from personal and commercial lending. When compared to the corresponding period of last year, the Group's operating income and profit before tax of personal and commercial lending increased by 5.5% to HK\$1,010.2 million and decreased by 6.0% to HK\$482.7 million, respectively. The decrease in profit before tax in personal and commercial lending was due to the higher than expected provisions for bad debts following the sharp rise in personal bankruptcies in the year.



## Business development

JCG Finance continued to exercise prudent and stringent lending policies, and adopted a conservative approach to expand its core business of consumer loans. During the year, JCG Finance launched more marketing and promotion activities to selected market segments to attract more new customers to expand its consumer loans. At the same time, JCG Finance applied tighter credit assessment and loan limits for applicants of consumer loans. During the year, JCG Finance also extended its business hours at selected branches to provide better convenience to its customers, purchased one branch premises, and relocated some of the branches to improve the visibility and accessibility of these branches.

## Human resources

The Group has provided a competitive remuneration package for its staff and has implemented a performance appraisal scheme which recognises and rewards performing and competent staff, and earmark them for future career development. Accordingly, an incentive bonus scheme has been introduced to reward staff according to their performance.

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

Social activities and staff integration programs have been organised to enhance staff morale and foster closer team spirit amongst them. Periodical discussions and dialogues between branch personnel and management were held to improve customer service, to increase operational efficiencies and to promote new business promotions for consumer loans. With a competent, cohesive and well-trained work force, the Group is well poised to strive for excellence and to meet new opportunities and challenges ahead.

As at end of 2001, the Group has a relatively stable staff force of over 500 people.

## Contingent liabilities

Winton Group has provided guarantees to its co-financing banks for joint financing of taxi financing loans under the co-financing arrangements. At the end of the year, the outstanding guarantees given to the co-financing banks decreased to HK\$1.7 million from HK\$10.0 million as at the end of year 2000.

On 10 July 2001, at the hearing of the summons filed by the ex-employees of a restaurant formerly operated by a subsidiary of Winton Group, the High Court has dismissed the ex-employees' applications for a representative action. The ex-employees will have to file their statements of claim separately if they wish to proceed with their claims. So far, Winton Group is not aware of any claims having been filed. Based on legal advice, any such claims will be defended by Winton Group.



■ Our Group Chairman, Tan Sri Dato' Dr. Teh Hong Piow having a chat with Datuk Tay Ah Lek at the Group's Annual Dinner 2001.



■ The members of the Board of Directors enjoying the performances at the Group's Annual Dinner 2001 held at Island Shangri-La Hotel in February 2001.



■ The management cutting a roasted pig during the opening of a new branch office.



■ Management staff participating in a team game during the JCG Management Seminar 2001 held at Holiday Inn Golden Mile Hotel in August 2001.



■ Staff taking part in the Bowling Competition organised by JCG Sports Club.



■ The staff and their family members posing for group photo during the Group annual trip to Chaozhou, China in June 2001. The participants had a wonderful and memorable trip.



■ The enthusiastic staff participating in a charity event.



■ I.T. Department conducting training to staff on payment by telephone system.



■ Staff listening attentively to the seminar course leader sharing his experience in a customer service workshop.



■ A meaningful New Year Eve for staff joining the "Run With Your Heart 2001" charity fund raising "round the clock run" at the Sports Institute, Shatin.



■ Participants posing for group photo during the "War Game" organised by JCG Sports Club. Participants learnt team building at the War Game.

# 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 2001.

## 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, the trading of taxis cabs and taxi licences, and the 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 22 to the financial statements.

## Segment information

### (a) By class of business

	2001		2001
	Operating income HK\$'000	Profit before tax HK\$'000	Total assets HK\$'000
Personal and commercial lending	1,010,172	482,706	4,681,439
Taxi trading and related operations, and other businesses	40,385	23,956	133,967
Inter-segments	(11,684)	–	–
	<b>1,038,873</b>	<b>506,662</b>	<b>4,815,406</b>

	2000		2000
	Operating income HK\$'000	Profit before tax HK\$'000	Total assets HK\$'000
Personal and commercial lending	957,640	513,547	5,313,721
Taxi trading and related operations, and other businesses	36,816	17,932	188,487
	<b>994,456</b>	<b>531,479</b>	<b>5,502,208</b>

### Types of business

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

Taxi trading and related operations comprise taxi trading and the leasing of taxis. Other businesses mainly comprise securities dealing and the letting of investment properties.

### (b) By geographical area

Over 90% of the Group's revenue, results, assets, liabilities, off-balance sheet commitments and exposures are derived from operations carried out in the Hong Kong SAR.

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations for the year ended 31 December 2001 is set out in note 5 to the financial statements.

## Segment information (continued)

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

	Gross advances to customers	
	2001 HK\$'000	2000 HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial:		
– Property development	14,772	17,213
– Property investment	67,469	87,825
– Wholesale and retail trade	3,137	7,725
– Manufacturing	2,710	14,497
– Licensed public vehicles	676,130	936,238
– Others	21,020	26,478
Individuals:		
– Loans for the purchase of residential properties	68,521	110,567
– Credit card advances	9,512	11,617
– Others	2,719,411	2,785,186
Loans for use outside Hong Kong	93,088	114,500
	<b>3,675,770</b>	<b>4,111,846</b>

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

## Qualitative information on the 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 by the Group.

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 the management of credit risk through reviews of regular reports on credit exposures, which include exposure limits and the level of bad debt provisions. The Internal Audit Department is responsible for appraising the effectiveness of credit controls adopted by the branches of JCG Finance. JCG Finance continues to maintain a tight control on loan assessments and approvals and will continue to pursue a conservative and prudent policy in granting loans.

Winton Financial Limited and Winton Financial (Factoring) Limited, both wholly-owned subsidiaries of the Winton Group, maintain a system of controls over loan assessments and approvals and will continue to adopt 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 the management of credit risk through reviews of regular reports on credit exposures and the level of bad debt provisions.

### Market risk

Market risk is the risk associated with changes in interest rates, foreign exchange rates, equity prices and commodity prices and government policies; and the effect that 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.

# Report of the Directors

## Qualitative information on the management of risks (continued)

### Market risk (continued)

The Group adopts a conservative view on exposure to market risk related financial instruments. The Group monitors its exposure to market risk on a regular basis and will take appropriate action 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, the 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.

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

## Capital adequacy and liquidity ratios

	2001 Unadjusted ratio	2000 Unadjusted ratio
Capital adequacy ratio as at 31 December	37.74%	63.61%
Average liquidity ratio for the year	170.12%	138.39%

## Capital adequacy and liquidity ratios (continued)

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

	2001 HK\$'000	2000 HK\$'000
Core capital:		
Paid up ordinary share capital	258,800	258,800
Share premium account	412,238	412,238
Reserves (eligible for inclusion in core capital)	558,849	1,370,975
	1,229,887	2,042,013
Eligible supplementary capital:		
Reserve on revaluation of securities not held for trading purposes	6,494	9,903
General provisions for doubtful debts	44,056	42,778
	50,550	52,681
Total capital base before deductions	1,280,437	2,094,694
Deductions from total capital base	(10)	(10)
Total capital base after deductions	1,280,427	2,094,684

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. During the year, JCG Finance paid a special dividend of HK\$905,800,000 to the Company.

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 ("HKMA") 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.

## Results and dividends

The Group's profit for the year ended 31 December 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 34 to 66.

An interim dividend of 8.5 cents (2000: 8.0 cents) per ordinary share was paid on 30 August 2001. The directors recommend the payment of a final dividend of 23.5 cents (2000: 24.0 cents) per ordinary share in respect of the year, to shareholders on the register of members on 28 February 2002. This recommendation has been incorporated in the financial statements.

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 11.

## Fixed assets and investment properties

Details of the movements in the fixed assets and investment properties of the Group are set out in notes 25 and 21 to the financial statements, respectively.

# Report of the Directors

## Subsidiaries

Particulars of the Company's subsidiaries are set out in note 22 to the financial statements.

## Associates

Particulars of the Group's associates are set out in note 23 to the financial statements.

## Bank borrowings

Details of the Group's bank borrowings at 31 December 2001 are set out in note 28 to the financial statements.

## Share capital and share options

Details of movements in the Company's share capital and share options are set out in note 32 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 33 to the financial statements.

## Distributable reserves

The Company's contributed surplus is distributable to shareholders in accordance with the Companies Act 1981 of Bermuda. At 31 December 2001, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$1,440,213,000 (inclusive of the Company's contributed surplus) as computed in accordance with the generally accepted accounting principles of Hong Kong. In addition, the Company's share premium account in the amount of approximately HK\$1,206,400,000 may be distributed in the form of fully paid bonus shares.

## Major customers and suppliers

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

The Group has adopted the guidelines on "Financial Disclosure by Locally Incorporated Authorised Institutions" issued by the HKMA.



## Directors

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

### *Non-executive directors:*

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

### *Executive directors:*

Tan Yoke Kong  
Lee Huat Oon

### *Independent non-executive directors:*

Cheah Cheng Hye  
Geh Cheng Hooi, Paul

In accordance with the bye-laws of the Company, Datuk Tay Ah Lek and Mr. Geh Cheng Hooi, Paul retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## Brief biographical details in respect of directors and senior management staff

Name	Age	Position held	Number of years of service with the Group	Business experience
Tan Sri Dato' Dr. Teh Hong Piow	71	Chairman	12	Tan Sri Dato' Dr. Teh is the founder, President and controlling shareholder of Public Bank Berhad ("Public Bank"), which is the controlling shareholder of the Group. He has been working in the banking industry for more than 52 years. He is also the Chairman of Winton.
Tan Yoke Kong	49	Director/ Chief Executive	11	Mr. Tan has more than 20 years of experience in the banking sector. He is also a Director of Winton.
Datuk Tay Ah Lek	59	Non-executive Director	7	Datuk Tay is an Executive Director of Public Bank and a Director of Winton, and has more than 37 years of experience in the banking and financial sector.
Lee Huat Oon	39	Director/ Alternate Chief Executive	7	Mr. Lee has more than 14 years of experience in the banking sector. He is also a Director of Winton.
Wong Kong Ming	48	Non-executive Director	6	Mr. Wong is the General Manager of Public Bank, Hong Kong Branch and has more than 26 years of experience in the banking sector. He is also a Director of Winton.

# Report of the Directors

## Brief biographical details in respect of directors and senior management staff

(continued)

Name	Age	Position held	Number of years of service with the Group	Business experience
Cheah Cheng Hye	47	Independent Non-executive Director	8	Mr. Cheah has more than 12 years of 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	67	Independent Non-executive Director	7	Mr. Geh is a consultant with KPMG, Malaysia, prior to which, he was with the same accounting firm for 29 years and was a Senior Partner thereof. He is also an Independent Non-executive Director of Winton.

## Directors' remuneration and the five highest paid individuals

Details of Directors' remuneration and that of the five highest paid individuals in the Group are set out in notes 10 and 11 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 of compensation other than statutory compensation.

## Directors' interests in contracts

Except as detailed in note 39 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, or any of its holding company, 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 directors' interests in the issued share capital of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register required to be kept under Section 29 of the SDI Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), 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	419,524,110	—
	Cheah Cheng Hye	—	10,000
	Tan Yoke Kong	—	90,000

## Directors' interests in shares (continued)

Interests in	Name of director	Number of ordinary shares	
		Corporate interests	Personal interests
2. Public Bank, ultimate holding company	Tan Sri Dato' Dr. Teh Hong Piow	981,234,817	1,000,000
	Datuk Tay Ah Lek	172,900	176,800
	Wong Kong Ming	—	116,817
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	—

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 Public Bank has an interest.

By virtue of his interest in Public Bank, Tan Sri Dato' Dr. Teh Hong Piow 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 ordinary shares in the Company and its associated corporations (as defined in the SDI Ordinance) as recorded in the register required to be kept under Section 29 of the SDI Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in	Notes	Name of director	Number of share options		
			At the beginning of the year	Granted during the year	At the end of the year
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	75,000	325,000
	(ii)	Datuk Tay Ah Lek	175,000	52,500	227,500

Notes:

- (i) The options to subscribe for ordinary shares of HK\$0.10 each in the Company were granted on 20 June 1997 under the Company's Share Option Scheme 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. The exercise period for all of the options will end on 4 July 2002. The exercise price of an option to subscribe for a share is HK\$4.77.

# Report of the Directors

## Directors' interests in shares (continued)

- (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. Adjustments arising from Public Bank's bonus issue were made on 23 April 2001. The options are exercisable from 10 April 1998 to 24 February 2003, subject to the terms of the Employees' Share Option Scheme, at the adjusted exercise price of an option to subscribe for a share of RM1.27.

During the year, no options to subscribe for shares in the Company and Public Bank were exercised by any of the directors, or by the spouse or children under 18 years of age of any of the directors.

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

## Share option scheme

As at the balance sheet date, the particulars in relation to each share option scheme of the Company or any of its subsidiaries that are required to be disclosed under Rules 17.07 to 17.09 of Chapter 17 of the Listing Rules, were as follows:

### (a) Share Option Scheme of the Company ("JCG Scheme")

	Tan Yoke Kong, Director	Lee Huat Oon, Director	Employees working under "continuous contracts" other than the directors
Outstanding options			
at the beginning of the year	150,000	136,000	22,854,000
Date of grant	20/6/1997	20/6/1997	20/6/1997
Vesting period	4/7/2002	4/7/2002	4/7/2002
Exercisable period	5/7/1999 to 4/7/2002	5/7/1999 to 4/7/2002	5/7/1999 to 4/7/2002
Exercise price	HK\$4.77 each	HK\$4.77 each	HK\$4.77 each
No. of options granted during the year	—	—	—
No. of options exercised during the year	—	—	52,000
Weighted average closing price of ordinary shares immediately before dates of exercise	—	—	HK\$5.30
No. of options cancelled during the year	—	—	2,064,000
Exercise price of cancelled options	—	—	HK\$4.77 each
No. of options lapsed during the year	—	—	2,064,000
Outstanding options at the end of the year	150,000	136,000	20,738,000

### (b) Share Option Scheme of Winton ("Winton Scheme")

No options to subscribe for ordinary shares in Winton have been granted to any eligible participants, including directors or their respective associates or Winton Group's employees, under the Winton Scheme since its adoption on 24 July 1992.

## Share option scheme (continued)

(c) A summary of each share option scheme under the Group is set out as follows:

	JCG Scheme	Winton Scheme
Purpose	To attract, retain and motivate high-calibre employees.	To attract, retain and motivate high-calibre employees.
Participants	Full-time employees (including full-time executive directors) of the Company or any subsidiary.	Full-time employees (including executive directors) of Winton or any subsidiary.
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at 16 January 2002	69,184,241 ordinary shares and 9.8% of the issued share capital.	42,000,000 ordinary shares and 3.1% of the issued share capital.
Maximum entitlement of each participant	<p>(i) the aggregate exercise price of ordinary shares shall not exceed 10 times of his/her current gross basic annual salary; and</p> <p>(ii) the maximum number of ordinary shares shall not exceed 25% of the total number of ordinary shares in respect of the options that may be granted in accordance with the scheme.</p>	(i) the maximum number of ordinary shares shall not exceed 25% of the total number of ordinary shares in respect of the options that may be granted in accordance with the scheme.
The period within which the ordinary shares must be taken up under an option	No option will be exercisable earlier than 2 years or later than 5 years after the commencement date on which the option was granted and accepted.	No option will be exercisable earlier than 1 year or later than 10 years after its date of grant.
Minimum period for which an option must be held before it can be exercised	50% must be held for a minimum period of 2 years and 50% must be held for a minimum period of 3 years after the commencement date on which the option was granted and accepted.	1 year from date of grant.
Amount payable on acceptance	HK\$1.00	HK\$1.00
Period within which payments/calls/loans must be made/repaid	Not applicable	Not applicable

# Report of the Directors

## Share option scheme (continued)

(c) A summary of each share option scheme under the Group is set out as follows: (continued)

	JCG Scheme	Winton Scheme
Basis of determining the exercise price	Determined by the directors at their discretion based on the higher of: (i) 80% of the average closing prices of the ordinary shares on the Stock Exchange on the five trading days immediately preceding the offer date, and (ii) the nominal value of an ordinary share.	Determined by the directors at their discretion based on the higher of: (i) 80% of the average closing price of the ordinary shares on the Stock Exchange on the five trading days immediately preceding the offer date, and (ii) the nominal value of an ordinary share.
The remaining life of the scheme	The scheme remains in force until 19 March 2002.	The scheme remains in force until 23 July 2002.

Since there were no share options granted under both JCG Scheme and Winton Scheme during the year, therefore, no value of share options granted has been disclosed accordingly.

## 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 32 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 financing for licensed public vehicles through its branch in Hong Kong.

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

The provision of financing for licensed public vehicles undertaken by Public Bank and JCG Finance during the year were referred by the Winton Group and other taxi dealers. The terms and conditions of the taxi financing loans are market driven and agreed at arms length between the hirers and the financiers.

## Substantial shareholders

As 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 419,524,110 ordinary shares of HK\$0.10 each in the Company, representing approximately a 59.3% shareholding.

Tan Sri Dato' Dr. Teh Hong Piow was also deemed to be a substantial shareholder of the Company by virtue of his interest in Public Bank, the ultimate holding company.

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/or public light buses (the "Co-Financing Arrangements"). The terms of the Co-Financing Arrangements with Public Bank and JCG Finance are essentially the same as those which the Group has with other co-financing banks.

During the year, no new hire purchase loans were granted under the Co-Financing Arrangements with Public Bank (2000: Nil) and JCG Finance (2000: Nil). There were no new guarantees ("Guarantee") provided by Winton to Public Bank (2000: Nil) or JCG Finance (2000: Nil) in respect of borrowers who may default within one year of the co-financed hire purchase loans. However, Winton extended the Guarantee for the amount of HK\$770,000 (2000: HK\$770,000) to Public Bank for two accounts rescheduled by Public Bank on terms similar to those Winton has with other co-financing banks. Under the Co-Financing Arrangements, there was no interest income received by Public Bank (2000: Nil) or JCG Finance (2000: Nil) from the Winton Group. No commission income was received by the Winton Group from Public Bank (2000: HK\$76,000) or JCG Finance (2000: Nil) under the Co-Financing Arrangements.

Winton and the Company were separately granted conditional waivers by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), under letters dated 7 and 19 April 2000, respectively, from strict compliance with the requirements of Chapter 14 of the Listing Rules in respect of the Guarantee provided by Winton to Public Bank concerning the obligations of WFL and WFFL under the Co-Financing Arrangements mentioned 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 conditions imposed by the Stock Exchange under the conditional waivers granted to Winton and the Company.

- (3) Pursuant to facility agreements entered into between Public Bank (L) Ltd, a wholly-owned subsidiary of Public Bank, and WFL, Public Bank (L) Ltd granted unsecured revolving credit facilities to WFL for a total of HK\$800,000,000 (2000: HK\$800,000,000). The facilities were utilised to the extent of HK\$749,414,000 (2000: HK\$799,414,000) during the year, and up to HK\$200,000,000 (2000: HK\$749,414,000) as at 31 December 2001. Interest paid by the Group for the year to Public Bank (L) Ltd in respect of the facilities amounted to approximately HK\$29,088,000 (2000: HK\$73,306,000).
- (4) Pursuant to the 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 up to the maturity date on 13 April 2001 (2000: HK\$30,000,000). Winton did not request for the facility to be renewed upon its expiry. The facility was not utilised by Winton during the period up to the maturity date (2000: up to HK\$5,000,000 and as at 31 December 2000: Nil). No interest or related facility fee was paid by Winton to JCG Finance for the year in respect of the facility (2000: HK\$85,000).
- (5) Pursuant to the master dealers agreements entered into between Winton Motors, Limited ("WML") and each of JCG Finance and Public Bank on 1 March 2001 and 29 December 1994 respectively, WML may from time to time refer hirers to JCG Finance or Public Bank for obtaining taxi financing loans, and in return, WML will receive dealer's commission from JCG Finance or Public Bank (the "Transactions"). Dealer's commission received/receivable by WML for the year from JCG Finance and Public Bank was HK\$11,684,000 (2000: HK\$353,000) and HK\$1,646,000 (2000: HK\$28,000), respectively.

# Report of the Directors

## Connected transactions (continued)

The Company and Winton were separately granted conditional waivers by the Stock Exchange under letters dated 23 and 16 May 2001, respectively, from strict compliance with the requirements of Chapter 14 of the Listing Rules in respect of the Transactions mentioned 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 Transactions. The respective parties have concluded that the Transactions met the respective conditions imposed by the Stock Exchange under the conditional waivers granted to Winton and the Company.

- (6) During the year, Winton placed fixed deposits with Public Bank (L) Ltd, a wholly-owned subsidiary of Public Bank, at prevailing market rates. As at 31 December 2001, the fixed deposits placed amounted to HK\$300,000,000 (2000: HK\$300,000,000). Interest income received/receivable by Winton for the year from Public Bank (L) Ltd in respect of the placements amounted to approximately HK\$12,214,000 (2000: HK\$15,756,000).
- (7) During the year, Winton (B.V.I.) Limited, a wholly-owned subsidiary of Winton, placed a fixed deposit with Public Bank at prevailing market rates. As at 31 December 2001, the fixed deposit placed amounted to HK\$22,036,000 (2000: Nil). Interest income received/receivable by Winton (B.V.I.) Limited for the year from Public Bank in respect of the placement amounted to approximately HK\$41,000 (2000: Nil).
- (8) During the year, Winton placed fixed deposits with JCG Finance at prevailing market rates. As at 31 December 2001, the fixed deposits placed amounted to HK\$200,000,000 (2000: Nil). Interest income received/receivable by Winton for the year from JCG Finance in respect of the placements amounted to approximately HK\$65,000 (2000: Nil).

## Pension scheme

Details of the pension scheme of the Group and the employer's pension costs charged to the profit and loss account for the year are set out in notes 3 and 7 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 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.

## Audit committee

The Company 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 covering the financial year ended 31 December 2001.

## Auditors

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

ON BEHALF OF THE BOARD

**Tan Yoke Kong**

*Director*

Hong Kong

16 January 2002





To the members

**JCG Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 34 to 66 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 2001 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

16 January 2002

# Consolidated Profit and Loss Account

For the year ended 31 December 2001

	Notes	2001 HK\$'000	2000 HK\$'000
Interest income		928,711	945,038
Interest expense		(89,612)	(166,537)
<b>NET INTEREST INCOME</b>		<b>839,099</b>	778,501
Other operating income	6	199,774	215,955
<b>OPERATING INCOME</b>		<b>1,038,873</b>	994,456
Operating expenses	7	(213,509)	(234,067)
<b>OPERATING PROFIT BEFORE PROVISIONS</b>		<b>825,364</b>	760,389
Provisions for bad and doubtful debts	9	(312,770)	(226,292)
<b>OPERATING PROFIT</b>		<b>512,594</b>	534,097
Share of results from associates		(5,932)	(2,618)
<b>PROFIT BEFORE TAX</b>		<b>506,662</b>	531,479
Tax	12	(61,967)	(83,447)
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>444,695</b>	448,032
Minority interests		(15,863)	(1,394)
<b>NET PROFIT FROM ORDINARY ACTIVITIES</b>			
<b>ATTRIBUTABLE TO SHAREHOLDERS</b>	13	<b>428,832</b>	446,638
<b>DIVIDENDS:</b>	14		
Interim		(60,097)	(56,559)
Proposed final		(166,162)	(169,686)
		<b>(226,259)</b>	(226,245)
<b>EARNINGS PER SHARE (cents)</b>	15		
Basic		<b>60.7</b>	63.2
Diluted		<b>N/A</b>	N/A

# Consolidated Statement of Recognised Gains and Losses

For the year ended 31 December 2001

	Notes	2001 HK\$'000	2000 HK\$'000
(Deficit)/surplus on revaluation of long term			
equity investments	33	(4,870)	14,147
Capitalisation of share issue expenses of a subsidiary	33	—	(1,277)
Net (losses)/gains not recognised in the consolidated profit and loss account		(4,870)	12,870
Net profit for the year		<b>428,832</b>	446,638
Total recognised gains and losses for the year		<b>423,962</b>	459,508

# Balance Sheets

31 December 2001

	Notes	Group		Company	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
<b>ASSETS</b>					
Cash and short term placements	16	523,497	572,326	55,632	46,895
Placements with banks and financial institutions maturing between one and twelve months	17	305,000	300,000	1,031,121	57,353
Loans and advances	8	3,341,461	3,772,985	—	—
Other assets	18	267,583	476,191	2,119	966
Long term investment	20	9,540	14,410	—	—
Investment properties	21	73,602	68,358	—	—
Interests in subsidiaries	22	—	—	1,629,063	1,629,063
Interests in associates	23	—	13,212	—	—
Intangible assets	24	202	227	—	—
Fixed assets	25	294,521	284,499	—	—
<b>TOTAL ASSETS</b>		<b>4,815,406</b>	<b>5,502,208</b>	<b>2,717,935</b>	<b>1,734,277</b>
<b>LIABILITIES</b>					
Customer deposits	27	1,033,546	1,318,818	—	—
Interest-bearing bank borrowings - current portion	28	—	15,458	—	—
Other liabilities	29	109,780	155,747	615	614
		<b>1,143,326</b>	<b>1,490,023</b>	<b>615</b>	<b>614</b>
Interest-bearing bank borrowings - long term portion	28	200,000	749,414	—	—
<b>TOTAL LIABILITIES</b>		<b>1,343,326</b>	<b>2,239,437</b>	<b>615</b>	<b>614</b>
<b>CAPITAL RESOURCES</b>					
Share capital	32	70,707	70,702	70,707	70,702
Reserves	33	3,029,501	2,831,555	2,480,451	1,493,275
Proposed final dividend	14	166,162	169,686	166,162	169,686
Shareholders' funds		<b>3,266,370</b>	<b>3,071,943</b>	<b>2,717,320</b>	<b>1,733,663</b>
Minority interests		205,710	190,828	—	—
<b>TOTAL CAPITAL RESOURCES</b>		<b>3,472,080</b>	<b>3,262,771</b>	<b>2,717,320</b>	<b>1,733,663</b>
<b>TOTAL LIABILITIES AND CAPITAL RESOURCES</b>		<b>4,815,406</b>	<b>5,502,208</b>	<b>2,717,935</b>	<b>1,734,277</b>

Tan Yoke Kong  
Director

Lee Huat Oon  
Director

# Consolidated Cash Flow Statement

For the year ended 31 December 2001

	Notes	2001 HK\$'000	2000 HK\$'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	34(a)	<b>298,884</b>	335,916
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Ordinary dividends paid		(229,783)	(144,937)
Dividends paid to minority interests	34(b)	(981)	(819)
Dividends from listed investments		266	64
Net cash outflow from returns on investments and servicing of finance		<b>(230,498)</b>	(145,692)
<b>TAX</b>			
Hong Kong profits tax paid		(90,235)	(128,798)
<b>INVESTING ACTIVITIES</b>			
Purchases of fixed assets		(22,268)	(21,177)
Proceeds from sale of fixed assets		40	64
Increase in minority interests		—	17,680
Net cash outflow from investing activities		<b>(22,228)</b>	(3,433)
<b>NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING ACTIVITIES</b>		<b>(44,077)</b>	57,993
<b>FINANCING ACTIVITIES</b>			
Shares issued on exercise of share options	34(b)	248	—
Expenses on convertible preference shares issued by a subsidiary		—	(1,277)
Net cash inflow/(outflow) from financing activities		<b>248</b>	(1,277)
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(43,829)</b>	56,716
Cash and cash equivalents at 1 January		<b>872,326</b>	815,610
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>828,497</b>	872,326
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and short term placements	16	<b>523,497</b>	572,326
Placements with banks and financial institutions maturing between one and twelve months	17	<b>305,000</b>	300,000
		<b>828,497</b>	872,326

# Notes to Financial Statements

31 December 2007

## 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, the trading of taxi cabs and taxi licences, and the 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. Impact of new/revised statements of standard accounting practice ("SSAPs")

The following SSAPs have been adopted for the first time in the preparation of the current year's consolidated financial statements, together with a summary of their major effects where applicable.

- SSAP 9 (Revised): Events after the balance sheet date
- SSAP 14 (Revised): Leases
- SSAP 26: Segment reporting
- SSAP 28: Provisions, contingent liabilities and contingent assets
- SSAP 29: Intangible assets
- SSAP 30: Business combinations
- SSAP 31: Impairment of assets
- SSAP 32: Consolidated financial statements and accounting for investments in subsidiaries

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure but no adjustment. Its principal impact on these financial statements is that a proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this new SSAP is detailed in notes 4 and 33 to the financial statements.

SSAP 14 (Revised) prescribes the basis for accounting for finance and operating leases, and the required disclosures. It has made certain amendments to the previous accounting treatments, however these amendments have not had a material effect on the amounts previously recorded in the profit and loss account and balance sheet, therefore no prior year adjustments have been required. The disclosure changes under the SSAP have resulted in changes to the information disclosed for commitments under operating leases, as further detailed in note 35 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment, requiring that management determine whether their predominant risks or returns for the business are based on business segments or geographical segments and to choose one of these bases as the primary reporting format, with the other as the secondary reporting format. The principal impact of this SSAP is the inclusion of additional segment reporting disclosures, which are included in note 5 to the financial statements.

## 2. Impact of new/revised statements of standard accounting practice (“SSAPs”) (continued)

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the disclosure requirements. The principal impact of the SSAP on these financial statements is the requirement to discount the amounts of provisions to their present value at the balance sheet date, where the effect of discounting is material. This SSAP has had no major impact on these financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements and has had no major impact on these financial statements.

SSAP 30 prescribes the treatment of business combinations, including the determination of the date of acquisition and the fair value of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill on acquisition. The SSAP requires the disclosure of goodwill or negative goodwill on future acquisition in the non-current assets section of the balance sheet, and that such goodwill or negative goodwill is amortised to or recognised in the profit and loss account over its estimated useful life, and has had no major impact on these financial statements. The Group has adopted the transitional provisions of SSAP 30, which permit goodwill and negative goodwill from past acquisitions to remain eliminated against or credited to the reserve, respectively. Further details of the Group’s goodwill are set out in note 33 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairment of assets, together with disclosure requirements, and has had no major impact on these financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no major impact on these financial statements.

## 3. 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 revaluation of investment properties, certain fixed assets and long term investments, as further explained below.

### *Basis of consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

### *Goodwill*

Goodwill arising on the consolidation of subsidiaries and on the acquisition of associates represents the difference between the Group’s interest in the fair values of the identifiable assets and liabilities acquired as at the date of acquisition and the purchase consideration paid.

For acquisitions prior to 1 January 2001, positive/negative goodwill was debited/credited to the capital reserve in the year of the acquisition. The Group has taken advantage of transitional provision 1(a) in SSAP 30 and such goodwill has not been restated.

# Notes to Financial Statements

31 December 2007

## 3. Summary of significant accounting policies (continued)

### *Goodwill (continued)*

On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of positive or negative goodwill which has not been recognised in the profit and loss account.

The carrying amount of positive goodwill is reviewed annually and written down for impairment where it is considered necessary.

### *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 impairments 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 impairments in values.

### *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 and impairment. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after 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 of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

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

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



## 3. Summary of significant accounting policies (continued)

### *Impairment*

At each balance sheet date, an assessment is made whether there is any indication of impairment of any asset, or whether there is any indication that impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

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

### *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.

### *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 and impairment.

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, paid or payable to dealers for the referral of financing business, are netted off against the related commission receivable from co-financing banks under the Co-Financing Arrangements. 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 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. Lease income and lease payments under operating leases should be recognised as income and as expenses, respectively, in the profit and loss account on a straight line basis over the lease term.

### *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.

# Notes to Financial Statements

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## 3. Summary of significant accounting policies (continued)

### *Long term investments (continued)*

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 bad and doubtful debts*

Provisions are made against loans and advances in accordance with guidelines issued by the HKMA based on the loan classification system of the HKMA. Loans and advances are stated in the financial statements net of these provisions.

In general, specific provisions are made for loans when their condition has worsened and they are reclassified as substandard, doubtful and loss loans, and the market value of the collateral security is insufficient to cover the loan balance. A specific provision of 20% to 100% is applied on the unsecured portion of the loans classified as substandard, doubtful and loss. The unsecured portion of a loan is the difference between the loan balance outstanding and the net realisable value of the collateral security.

A general provision of 2% is applied to secured loans classified as pass; and a general provision of 3% to 30% is applied on unsecured loans classified as pass, special mention and substandard. In addition, an amount is set aside as a general provision for doubtful loans and advances. Provisions are also made against other debtors as and when they are considered doubtful by the directors.

### *Write-off of bad debts*

The write-off of bad debts is generally based on the overdue status of loans and advances. Monthly write-offs are made against loans and advances taking into account the overdue status and other qualitative factors.

### *Financing operations*

The Group and its co-financing banks jointly provide hire purchase loans under the Co-Financing Arrangement. The Group also provides term loans to its customers. The amounts receivable by the Group in connection with its hire purchase financing activities and term loans are shown in the balance sheet as loan instalment receivables net of unearned interest. Interest income receivable from each hire purchase loan jointly provided by the Group and co-financing banks is recognised using the sum of digits method. The Group's share of interest income on hire purchase loans is calculated after deduction of the interest entitlements of the co-financing banks. Interest income receivable from each term loan is recognised using the reducing balance method. Commission expenses, after netting off any related commission receivable from co-financing banks under the Co-Financing Arrangement, 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 as 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.

## 3. Summary of significant accounting policies (continued)

### *Foreign currencies*

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

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

### *Retirement benefit schemes*

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

### *Long service payments*

Provisions for long service payments have been made in respect of employees who have been continuously employed by the 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". Interest income arising from loans and advances ceases to accrue when there are more than two overdue instalments;
- (b) commission, brokerage, handling fees and fee income, when services are rendered;
- (c) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (d) rental income, on a straight-line basis over the lease terms; and
- (e) dividends, when the shareholders' right to receive payment is established.

### *Dividends*

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

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

# Notes to Financial Statements

31 December 2001

## 3. Summary of significant accounting policies (continued)

### *Dividends (continued)*

This revised accounting treatment for dividends, resulting from the adoption of SSAP 9 (Revised), has given rise to prior year adjustments, further details of which are included in note 4 to the financial statements.

### *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. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

## 4. Prior year adjustments

During the year, the Group adopted the revised SSAP 9 “Events after the balance sheet date”. To comply with the revised SSAP, a prior year adjustment has been made, reclassifying the proposed final dividend for the year ended 31 December 2000 of HK\$169,686,000, which was recognised as a liability in the prior year, to the proposed final dividend account within the capital and reserves section of the balance sheet.

At the Company level, final dividends receivable from subsidiaries are not recognised as income in the profit and loss account until the dividends proposed by the subsidiary are approved by the shareholders in a general meeting. Accordingly, prior year adjustments have been made to reverse such proposed dividends from prior years, retrospectively. The retained profits as at 1 January 2000 and 1 January 2001 decreased by HK\$150,104,000 and HK\$116,460,000, respectively (*note 33*).

## 5. Segment information

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

### *Business segments*

The Group’s operating businesses are organised and managed separately, according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets:

- Personal and commercial lending comprises the granting of personal loans, overdrafts, property mortgage loans, hire purchase loans to individuals and small to medium sized manufacturing companies, credit card services and the provision of finance to purchasers of licensed 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 mainly comprise securities dealing and the letting of investment properties.

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

## 5. Segment information (continued)

The following tables represent revenue and profit information for these segments for the years ended 31 December 2001 and 2000, and certain asset and liability information regarding business segments as at 31 December 2001 and 2000.

(a) By business segments

	Personal and commercial lending		Taxi trading and related operations, and other businesses		Eliminated on consolidation		Total	Total
	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue</b>								
External customers	1,010,172	957,640	28,701	36,816	—	—	1,038,873	994,456
Inter-segments	—	—	11,684	—	(11,684)	—	—	—
	<b>1,010,172</b>	<b>957,640</b>	<b>40,385</b>	<b>36,816</b>	<b>(11,684)</b>	<b>—</b>	<b>1,038,873</b>	<b>994,456</b>
<b>Segment results</b>	<b>482,706</b>	<b>513,547</b>	<b>29,888</b>	<b>20,550</b>	<b>—</b>	<b>—</b>	<b>512,594</b>	<b>534,097</b>
Share of results of associates							(5,932)	(2,618)
Profit before tax							506,662	531,479
Tax							(61,967)	(83,447)
Minority interests							(15,863)	(1,394)
Net profit from ordinary activities attributable to shareholders							<b>428,832</b>	<b>446,638</b>
Segment assets	4,681,439	5,313,721	133,967	175,275	—	—	4,815,406	5,488,996
Interests in associates	—	—	—	13,212	—	—	—	13,212
<b>Total assets</b>	<b>4,681,439</b>	<b>5,313,721</b>	<b>133,967</b>	<b>188,487</b>	<b>—</b>	<b>—</b>	<b>4,815,406</b>	<b>5,502,208</b>
Segment liabilities	1,259,901	2,083,086	67,903	112,561	—	—	1,327,804	2,195,647
Unallocated liabilities							15,522	43,790
<b>Total liabilities</b>							<b>1,343,326</b>	<b>2,239,437</b>
<b>Other segment information extracted from the profit and loss account and balance sheet</b>								
Capital expenditure	22,172	21,172	96	5	—	—	22,268	21,177
Amortisation of intangible assets	—	—	25	25	—	—	25	25
Amortisation and write-off of commission expenses	347	13,128	—	—	—	—	347	13,128
Depreciation	9,459	8,619	242	270	—	—	9,701	8,889
(Surplus)/deficit on revaluation of investment properties	—	—	(2,806)	1,800	—	—	(2,806)	1,800
Provisions for bad and doubtful debts	312,770	226,292	—	—	—	—	312,770	226,292
Provisions for other doubtful debtors	13,176	20,087	—	—	—	—	13,176	20,087
Provision against an amount due from an associate	7,339	1,054	—	—	—	—	7,339	1,054

# Notes to Financial Statements

31 December 2001

## 5. Segment information (continued)

(b) By geographical segments

Over 90% of the Group's revenue, results, assets, liabilities, off-balance sheet commitments and exposures are derived from operations carried out in Hong Kong.

## 6. Other operating income

	Group	
	2001 HK\$'000	2000 HK\$'000
Fees and commission income	185,957	197,885
Gross rental income	5,238	5,407
Less: Outgoing expenses	(450)	(538)
Net rental income	4,788	4,869
Loss on disposal of fixed assets	(67)	(194)
Net profit from trading activities	1,668	7,563
Dividends from listed investments	266	64
Others	7,162	5,768
	<b>199,774</b>	<b>215,955</b>

Net profit from trading activities has been arrived at after netting off the cost of inventories sold in the amount of HK\$135,168,000 (2000: HK\$95,225,000).

## 7. Operating expenses

	Group	
	2001 HK\$'000	2000 HK\$'000
Staff costs:		
Salaries and other staff costs	94,251	100,909
Pension contributions	6,421	5,729
Less: Forfeited contributions	(766)	(1,350)
Net pension contributions	5,655	4,379
	<b>99,906</b>	<b>105,288</b>
Other operating expenses:		
Operating lease rentals on land and buildings	20,417	20,748
Depreciation	9,701	8,889
Amortisation of intangible assets	25	25
Auditors' remuneration	1,848	1,802
(Surplus)/deficit on revaluation of investment properties	(2,806)	1,800
Amortisation and write-off of commission expenses	347	13,128
Provision against an amount due from an associate	7,339	1,054
Provisions for other doubtful debtors	13,176	20,087
Administrative and general expenses	15,892	17,128
Others	47,664	44,118
	<b>213,509</b>	<b>234,067</b>

## 7. Operating expenses (continued)

At 31 December 2001, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2000: Nil). The current year credits arose in respect of staff who left the scheme during the year.

## 8. Loans and advances

(a) Advances to customers

	Group	
	2001 HK\$'000	2000 HK\$'000
Loans and advances to customers	3,675,770	4,111,846
Provisions for bad and doubtful debts (note 9):		
Specific	(128,687)	(134,533)
General	(205,622)	(204,328)
	<u>(334,309)</u>	<u>(338,861)</u>
	<u>3,341,461</u>	<u>3,772,985</u>

As at 31 December 2001, no loans and advances were pledged to secure banking facilities (note 28). As at 31 December 2000, certain loans aggregating approximately HK\$145,000,000 were pledged to secure banking facilities, and such facilities were not utilised. Certain of loans and advances were secured by properties, taxi cabs and taxi licences.

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	
	2001 HK\$'000	2000 HK\$'000
Repayable:		
On demand	41,685	56,013
Three months or less	686,973	698,696
One year or less but over three months	1,355,133	1,343,215
Five years or less but over one year	769,939	855,461
After five years	621,537	939,943
Undated	200,503	218,518
	<u>3,675,770</u>	<u>4,111,846</u>

# Notes to Financial Statements

31 December 2001

## 8. Loans and advances (continued)

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

	2001		Group		2000	
	Gross amount HK\$'000	Percentage of total loans and advances	Gross amount HK\$'000	Percentage of total loans and advances	Gross amount HK\$'000	Percentage of total loans and advances
Gross 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	57,375	1.6	41,672	1.0		
One year or less but over six months	35,821	1.0	32,069	0.8		
Over one year	134,212	3.6	178,593	4.3		
	<b>227,408</b>	<b>6.2</b>	<b>252,334</b>	<b>6.1</b>		
Taxi financing loans terminated and fully provided for	24,230	0.6	28,958	0.7		
	<b>251,638</b>	<b>6.8</b>	<b>281,292</b>	<b>6.8</b>		
Gross advances to customers which have been overdue for 3 months or less, but interest on which has ceased to accrue	28,436	0.8	44,667	1.1		
Total non-performing loans and advances	<b>280,074</b>	<b>7.6</b>	<b>325,959</b>	<b>7.9</b>		
Specific provisions	(128,687)		(134,533)			
	<b>151,387</b>		<b>191,426</b>			

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

Under the Co-Financing Arrangement, the taxi financing loans are jointly financed by the co-financing banks and the Winton Group. The Winton Group is entitled to receive certain monthly instalments (hereinafter referred to as "Winton Portion") and the co-financing banks are entitled to receive certain monthly instalments (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 instalments payable to the co-financing banks were not included in the Group's overdue advances. As at 31 December 2001 and at 31 December 2000, 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\$121,513,000 (2000: HK\$167,415,000) and HK\$24,230,000 (2000: HK\$28,958,000), respectively, which are secured by properties, taxi cabs and taxi licences. Specific provisions of approximately HK\$30,149,000 (2000: HK\$61,135,000) and HK\$8,298,000 (2000: HK\$11,962,000) are related to property mortgage loans and taxi financing loans, respectively.



## 8. Loans and advances (continued)

(c) Rescheduled loans

As at 31 December 2001, there were no rescheduled loans under the Group's gross loans and advances (2000: 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.

## 9. Provisions for bad and doubtful debts

	Specific HK\$'000	Group General HK\$'000	Total HK\$'000
At 1 January 2000	154,678	200,644	355,322
Recoveries	7,153	—	7,153
Charge for the year	229,761	3,684	233,445
Amounts released	(7,153)	—	(7,153)
<i>Net charge to the profit and loss account</i>	222,608	3,684	226,292
Amounts written off	(249,906)	—	(249,906)
At 31 December 2000 and 1 January 2001	134,533	204,328	338,861
Recoveries	9,898	—	9,898
Charge for the year	321,374	1,294	322,668
Amounts released	(9,898)	—	(9,898)
<i>Net charge to the profit and loss account</i>	311,476	1,294	312,770
Amounts written off	(327,220)	—	(327,220)
<b>At 31 December 2001</b>	<b>128,687</b>	<b>205,622</b>	<b>334,309</b>

## 10. Directors' remuneration

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive	175	175
Non-executive	455	455
Independent non-executive	280	280
	<b>910</b>	910
Other emoluments:		
Basic salaries, housing, other allowances and benefits in kind	1,646	1,543
Bonuses paid and payable	684	479
Pension scheme contributions	182	165
	<b>3,422</b>	3,097

# Notes to Financial Statements

31 December 2001

## 10. Directors' remuneration (continued)

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\$720,000 (2000: HK\$561,000).

The number of directors whose remuneration fell within the band set out below is as follows:

	2001 Number of directors	2000 Number of directors
Nil - HK\$1,000,000	5	6
HK\$1,000,001 - HK\$1,500,000	2	1
	<b>7</b>	<b>7</b>

## 11. Five highest paid individuals

The five highest paid individuals during the year included two (2000: two) directors, details of whose remuneration are set out in note 10 above. The details of the remuneration of remaining three (2000: three) non-directors, highest paid individuals are as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Basic salaries, housing, other allowances and benefits in kind	1,935	2,267
Bonuses paid and payable	468	396
Pension scheme contributions	177	140
	<b>2,580</b>	<b>2,803</b>

The number of the non-director and highest paid individuals whose remuneration fell within the bands set out below is as follows:

	2001 Number of individuals	2000 Number of individuals
Nil - HK\$1,000,000	2	2
HK\$1,000,001 - HK\$1,500,000	1	1
	<b>3</b>	<b>3</b>

## 12. Tax

	Group	
	2001 HK\$'000	2000 HK\$'000
Hong Kong - profits tax	62,967	83,447
Deferred tax credit (note 31)	(1,000)	—
	<b>61,967</b>	<b>83,447</b>

## 12. Tax (continued)

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year.

No Hong Kong or overseas profits tax has been provided for associates as the associates did not generate any assessable profits in Hong Kong or elsewhere during the year (2000: Nil).

## 13. 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 was HK\$1,213,192,000 (Restated 2000: HK\$272,414,000).

## 14. Dividends

	2001	2000	2001	2000
	Cents per ordinary share		HK\$'000	HK\$'000
Interim	8.5	8.0	60,097	56,559
Proposed final	23.5	24.0	166,162	169,686
	<b>32.0</b>	32.0	<b>226,259</b>	226,245

During the year, the Group adopted the revised SSAP 9 "Events after the balance sheet date".

To comply with this revised SSAP, a prior year adjustment has been made reclassifying the proposed final dividend for the year ended 31 December 2000, of HK\$169,686,000, which was recognised as a liability in the prior year, to the proposed final dividend account within the capital and reserves section of the balance sheet. The result of this has been to reduce the liabilities and increase the reserves previously reported as at 31 December 2000, by HK\$169,686,000.

## 15. 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\$428,832,000 (2000: HK\$446,638,000) and the weighted average number of 707,052,900 (2000: 707,022,412) ordinary shares in issue during the year.

### (b) Diluted earnings per share

Diluted earnings per share for the year ended 31 December 2001 has not been shown as the convertible preference shares of Winton outstanding during the year had an anti-dilutive effect on basic earnings per share, and the exercise of share options under the Company's Share Option Scheme had no dilutive effect on basic 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 that year had an anti-dilutive effect.

# Notes to Financial Statements

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## 16. Cash and short term placements

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Cash and balances with banks and other financial institutions	79,775	80,716	67	84
Money at call and short notice	443,722	491,610	55,565	46,811
	<b>523,497</b>	<b>572,326</b>	<b>55,632</b>	<b>46,895</b>

The Group's money at call and short notice includes fixed deposits placed with the ultimate holding company of HK\$22,036,000 (2000: Nil).

Certain of the Company's money at call and short notice, amounting to HK\$46,769,000 (2000: HK\$37,276,000), was deposited with JCG Finance.

## 17. Placements with banks and financial institutions maturing between one and twelve months

The Group's placements with banks, amounting to HK\$300,000,000 (2000: HK\$300,000,000), were placed with a fellow subsidiary of the Company.

Certain of the Group's placements with banks, amounting to HK\$5,000,000 (2000: HK\$5,000,000 included in cash and short term placements), were pledged to a bank for credit facilities of HK\$5,000,000 (2000: HK\$5,000,000) granted to the Group (*note 28*). The credit facilities were not utilised during the year (2000: Nil).

The Company's placements with financial institutions, amounting to HK\$1,031,121,000 (2000: HK\$57,353,000), were placed with JCG Finance.

## 18. Other assets

	Note	Group		Company	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Inventories	19	18,300	24,940	—	—
Interest receivable		119,336	310,870	1,974	966
Other debtors, deposits and prepayments		129,690	137,849	145	—
Deferred expenditure		257	2,532	—	—
		<b>267,583</b>	<b>476,191</b>	<b>2,119</b>	<b>966</b>

Other assets are shown net of provisions.

Included in other debtors were trade receivables of HK\$19,000 (2000: HK\$502,000) after provision thereon of HK\$605,000 (2000: HK\$362,000). As the trade receivables are immaterial to the Group, the maturity profile thereof is not disclosed. The Group allows an average credit of 90 days to its trade debtors. Included in interest receivable is HK\$5,000 (2000: Nil) for deposits placed with the ultimate holding company.

Also, included in other debtors was HK\$98,505,000 (2000: HK\$109,413,000) which was secured by taxi licences, cash deposits and a property.

## 19. Inventories

Included in the balance were taxi licences and taxi cabs amounting to approximately HK\$18,300,000 (2000: HK\$24,937,000).

None of the inventories were carried at net realisable value as at the balance sheet date (2000: Nil).

At 31 December 2001, no inventories (2000: HK\$22,496,000) of the Group were pledged as security for bank borrowings (note 28).

## 20. Long term investment

	Group	
	2001 HK\$'000	2000 HK\$'000
At beginning of year	14,410	—
Transfer from other assets	—	263
Movement in market value	(4,870)	14,147
Listed equity investment in Hong Kong, at market value	9,540	14,410

The Group held one share in the Stock Exchange as included in other assets 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 cost of the previously held share in the Stock Exchange above was 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 (note 24) and the HKEC Shares have been classified as a long term investment.

## 21. Investment properties

	Group	
	2001 HK\$'000	2000 HK\$'000
Balance at beginning of year	68,358	80,758
Transfer from/(to) land and buildings	2,438	(10,600)
Revaluation surplus/(deficit)	2,806	(1,800)
Balance at end of year	73,602	68,358

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

	Group 2001 HK\$'000
At valuation:	
Medium term leases	46,802
Long term leases	26,800
	73,602

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## 21. Investment properties (continued)

Investment properties with a carrying amount of HK\$70,796,000 were revalued on 31 December 2001 at HK\$73,602,000 by Chung Sen Surveyors Limited, an independent professional valuer, on an open market value based on their existing use. A revaluation surplus of HK\$2,806,000 on a portfolio basis, resulting from the above valuation has been credited to the profit and loss account to reduce the revaluation deficit previously charged to the profit and loss account.

The investment properties held by the Group are let under operating leases from which the Group earns rental income. Details of future annual rental receivables under operating leases are included in note 35 to the financial statements.

Certain of the above investment properties held by the Group were pledged to secure banking facilities granted to the Group at the balance sheet date (note 28).

## 22. Interests in subsidiaries

	Company	
	2001 HK\$'000	2000 HK\$'000
Shares at cost:		
Listed:		
Hong Kong	572,212	572,212
Unlisted:	1,056,851	1,056,851
	<b>1,629,063</b>	<b>1,629,063</b>
Market value of listed shares	<b>122,850</b>	69,300

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

## 22. Interests in subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows:

Name	Nominal value of issued ordinary share capital HK\$	Percentage of equity attributable to the Company		Principal activities
		Direct	Indirect	
JCG Finance Company, Limited	258,800,000	100	—	Deposit taking, granting of loans and issuing of credit cards
Funds Fit Limited	10,100,000	—	100	Investment holding
JCG Securities Limited	10,000,000	—	100	Securities dealing
JCG Nominees Limited	10,000	—	100	Nominee services
Winton Holdings (Bermuda) Limited	42,000,000 <sup>1</sup>	75	—	Investment holding
Eastwood Overseas Corporation <sup>2</sup>	US\$1	—	75	Dormant
Eternal Success Company Limited	20	—	75	Property holding
Keytop Investment Limited <sup>3</sup>	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 financing for licensed public vehicles and provision of personal and short term loans
Winton Financial (Factoring) Limited	1,000,000	—	75	Provision of financing for licensed public vehicles
Winton Investment Company (China) Limited	1,000,000	—	75	Investment holding
Winton Motors, Limited	78,000	—	75	Trading of taxi cabs and taxi licences and leasing of taxis
Winton Motors Trading Company Limited	2	—	75	Trading of taxi cabs and taxi licences and leasing of taxis
Winton Restaurant Limited <sup>3</sup>	20	—	75	Dormant
Winton Trading Company Limited	20	—	75	Dormant
Wu Shang Mei Winton (China) Investment Company Limited	100	—	67.5	Investment holding

*Notes:*

1. Exclusive of convertible preference shares of HK\$92,400,000.
2. The sole member of Eastwood Overseas Corporation has resolved to wind-up the company on 18 December 2001.
3. Members' voluntary liquidation commenced on 19 December 2001.
4. Three dormant subsidiaries of the Winton Group, namely Lion Crown Company Limited, Shuning Shing Limited and Worthy Park Company Limited were dissolved on 1 November 2001.

# Notes to Financial Statements

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## 23. Interests in associates

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets other than goodwill	—	5,932
Amounts due from an associate	—	7,280
	—	13,212

The amounts due from an associate was unsecured, interest-bearing at the prevailing market rates in the Mainland China and is repayable within one year.

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
			2001	2000	
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

## 24. Intangible assets

	Group	
	2001 HK\$'000	2000 HK\$'000
Cost:		
At beginning of year	252	—
Transfer from other assets (note 20)	—	252
Balance at end of year	252	252
Accumulated amortisation:		
At beginning of year	25	—
Provided during the year	25	25
Balance at end of year	50	25
Net book value at end of year	202	227



## 25. 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 1 January 2001	298,065	73,962	1,630	373,657
Additions	17,337	3,919	1,012	22,268
Transfer to investment properties	(3,612)	—	—	(3,612)
Disposals	—	(3,487)	—	(3,487)
<b>At 31 December 2001</b>	<b>311,790</b>	<b>74,394</b>	<b>2,642</b>	<b>388,826</b>
Accumulated depreciation:				
At 1 January 2001	23,991	63,537	1,630	89,158
Transfer to investment properties	(1,174)	—	—	(1,174)
Provided during the year	4,800	4,648	253	9,701
Disposals	—	(3,380)	—	(3,380)
<b>At 31 December 2001</b>	<b>27,617</b>	<b>64,805</b>	<b>1,883</b>	<b>94,305</b>
Net book value:				
<b>At 31 December 2001</b>	<b>284,173</b>	<b>9,589</b>	<b>759</b>	<b>294,521</b>
At 31 December 2000	274,074	10,425	—	284,499

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

	Group 2001 HK\$'000
At cost:	
Medium term leases	99,339
Long term leases	212,451
	<b>311,790</b>

Certain of the above leasehold land and buildings were pledged to secure banking facilities granted to the Group (*note 28*).

## 26. 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	
	2001 HK\$'000	2000 HK\$'000
Aggregate amount of principal and interest outstanding at the end of year	3,556	3,926
Maximum aggregate amount of principal and interest outstanding during the year	3,926	7,065

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## 27. 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	
	2001 HK\$'000	2000 HK\$'000
Repayable:		
On demand	9,243	5,652
Three months or less	829,852	1,074,362
One year or less but over three months	194,451	238,804
	<b>1,033,546</b>	<b>1,318,818</b>

## 28. Interest-bearing bank borrowings

	Group	
	2001 HK\$'000	2000 HK\$'000
Bank loans:		
Secured	—	15,458
Unsecured	200,000	749,414
	<b>200,000</b>	<b>764,872</b>

Included in above were loans amounting to HK\$200,000,000 (2000: HK\$749,414,000) obtained from a fellow subsidiary, which is a bank, are unsecured, interest-bearing at Hong Kong prevailing market rates and are repayable after one year.

	Group	
	2001 HK\$'000	2000 HK\$'000
Bank loans repayable:		
Within one year	—	15,458
In the second year	200,000	749,414
	<b>200,000</b>	<b>764,872</b>
Portion classified as current liabilities	—	(15,458)
Long term portion	<b>200,000</b>	<b>749,414</b>

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

- (i) A placement with a bank amounting to HK\$5,000,000 (2000: HK\$5,000,000) (*note 17*). The facility had not been utilised during the year.
- (ii) First legal charges on certain leasehold land and buildings of the Group with an aggregate carrying amount at the balance sheet date of approximately HK\$47,979,000 (2000: HK\$52,779,000) (*note 25*).
- (iii) First legal charges on certain investment properties of the Group situated in Hong Kong with an aggregate carrying amount at the balance sheet date of approximately HK\$28,760,000 (2000: HK\$29,508,000) (*note 21*).

As at 31 December 2001, no loans and advances or inventories were pledged to secure the Group's banking facilities (*notes 8 and 19*).

## 28. Interest-bearing bank borrowings (continued)

As at 31 December 2000, certain of the Group's banking facilities were secured by:

- (i) Fixed charges on certain of the Group's loans and advances of HK\$145,000,000 in total (*note 8*); and
- (ii) Fixed charges on certain of the Group's inventories with a carrying amount of HK\$22,496,000 in total (*note 19*).

## 29. Other liabilities

	Notes	Group		Company	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Creditors, accruals and interest payable		89,639	105,094	446	446
Amount due to the ultimate holding company		44	44	—	—
Tax payable		5,832	33,100	169	168
Provision for long service payments	30	4,575	6,819	—	—
Deferred tax	31	9,690	10,690	—	—
		<b>109,780</b>	<b>155,747</b>	<b>615</b>	<b>614</b>

Included in creditors, accruals and interest payable was interest payable of HK\$50,000 (2000: HK\$678,000) for a long term loan from a fellow subsidiary.

Included in creditors were trade payables of HK\$1,000 (2000: HK\$10,000). As the trade payables are immaterial to the Group, the maturity profile thereof is not disclosed.

## 30. Provision for long service payments

	Group 2001 HK\$'000
Balance at beginning of year	6,819
Movement during the year	(2,244)
Balance at end of year	<b>4,575</b>

## 31. Deferred tax

	Group	
	2001 HK\$'000	2000 HK\$'000
Balance at beginning of year	10,690	10,690
Credit for the year ( <i>note 12</i> )	(1,000)	—
Balance at end of year	<b>9,690</b>	10,690

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## 31. Deferred tax (continued)

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

	Provided		Unprovided	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Commission expenses claimed over amount amortised and interest receivable	9,690	10,690	—	—
Unutilised tax losses	—	—	(100,000)	(134,768)
	<b>9,690</b>	<b>10,690</b>	<b>(100,000)</b>	<b>(134,768)</b>

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.

## 32. Share capital

	2001 HK\$'000	2000 HK\$'000
<b>Ordinary shares</b>		
Authorised:		
1,000,000,000 (2000: 1,000,000,000) ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
707,074,412 (2000: 707,022,412) ordinary shares of HK\$0.10 each	70,707	70,702

### Share options

Pursuant to the Share Option Scheme of the Company ("JCG 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:

- the maximum number of share options under the JCG 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 JCG Scheme and any outstanding options granted under another Share Option Scheme which were duly approved on 11 September 1991, and lapsed on 10 September 1996; and
- 50% of the options are exercisable two years after 5 July 1997 and the remaining 50% of the options are exercisable three years after 5 July 1997, and the last day to exercise the option is 4 July 2002.

At the beginning of the year, the Company had outstanding options granted in accordance with the terms of the JCG Scheme entitling executive directors and employees thereof to subscribe for 286,000 and 22,854,000 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, 52,000 of the share options were exercised by employees and 2,064,000 share options lapsed. Hence, there were 21,024,000 share options outstanding as at 31 December 2001.

## 33. 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 2000	1,206,157	829	96,116	86,844	428	—	1,207,918	2,598,292
Movement in the market value (note 20)	—	—	—	—	—	14,147	—	14,147
Capitalisation of share issue expenses of a subsidiary	—	—	—	(1,277)	—	—	—	(1,277)
Interim dividend for 2000 (note 14)	—	—	—	—	—	—	(56,559)	(56,559)
Profit for the year	—	—	—	—	—	—	446,638	446,638
Proposed final dividend for 2000 (note 14)	—	—	—	—	—	—	(169,686)	(169,686)
At 31 December 2000 and 1 January 2001	1,206,157	829	96,116	85,567	428	14,147	1,428,311	2,831,555
Premium arising on share options exercised	243	—	—	—	—	—	—	243
Movement in the market value (note 20)	—	—	—	—	—	(4,870)	—	(4,870)
Interim dividend for 2001 (note 14)	—	—	—	—	—	—	(60,097)	(60,097)
Profit for the year	—	—	—	—	—	—	428,832	428,832
Proposed final dividend for 2001 (note 14)	—	—	—	—	—	—	(166,162)	(166,162)
<b>At 31 December 2001</b>	<b>1,206,400</b>	<b>829</b>	<b>96,116</b>	<b>85,567</b>	<b>428</b>	<b>9,277</b>	<b>1,630,884</b>	<b>3,029,501</b>
Reserves retained by:								
Company and subsidiaries	1,206,400	829	96,116	85,567	—	9,277	1,651,839	3,050,028
Associates	—	—	—	—	428	—	(20,955)	(20,527)
<b>At 31 December 2001</b>	<b>1,206,400</b>	<b>829</b>	<b>96,116</b>	<b>85,567</b>	<b>428</b>	<b>9,277</b>	<b>1,630,884</b>	<b>3,029,501</b>
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)
At 31 December 2000	1,206,157	829	96,116	85,567	428	14,147	1,428,311	2,831,555
<b>Company</b>								
At 1 January 2000								
As previously reported	1,206,157	829	194,524	—	—	—	195,700	1,597,210
Prior year adjustment (note 4)	—	—	—	—	—	—	(150,104)	(150,104)
As restated	1,206,157	829	194,524	—	—	—	45,596	1,447,106
Interim dividend for 2000 (note 14)	—	—	—	—	—	—	(56,559)	(56,559)
Profit for the year (restated)	—	—	—	—	—	—	272,414	272,414
Proposed final dividend for 2000 (note 14)	—	—	—	—	—	—	(169,686)	(169,686)
At 31 December 2000 and 1 January 2001 (restated)	1,206,157	829	194,524	—	—	—	91,765	1,493,275
At 31 December 2000 and 1 January 2001								
As previously reported	1,206,157	829	194,524	—	—	—	208,225	1,609,735
Prior year adjustment (note 4)	—	—	—	—	—	—	(116,460)	(116,460)
As restated	1,206,157	829	194,524	—	—	—	91,765	1,493,275
Premium arising on share options exercised	243	—	—	—	—	—	—	243
Interim dividend for 2001 (note 14)	—	—	—	—	—	—	(60,097)	(60,097)
Profit for the year	—	—	—	—	—	—	1,213,192	1,213,192
Proposed final dividend for 2001 (note 14)	—	—	—	—	—	—	(166,162)	(166,162)
<b>At 31 December 2001</b>	<b>1,206,400</b>	<b>829</b>	<b>194,524</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,078,698</b>	<b>2,480,451</b>

# Notes to Financial Statements

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## 33. Reserves (continued)

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 out of the contributed surplus in certain circumstances.

Included in the contributed surplus and capital reserve as at 31 December 2001 were positive goodwill of HK\$98,406,000 (2000: HK\$98,406,000) and negative goodwill of HK\$86,845,000 (2000:HK\$86,845,000), respectively, which arose from acquisitions of subsidiaries in prior years.

## 34. Notes to the consolidated cash flow statement

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Profit before tax	506,662	531,479
Depreciation	9,701	8,889
Loss on disposals of fixed assets	67	194
Decrease in provisions for bad and doubtful debts	(4,552)	(16,461)
Dividends from listed investments	(266)	(64)
Amortisation of intangible assets	25	25
Amortisation and write-off of commission expenses	347	13,128
Provision against an amount due from an associate	7,339	1,054
Share of results from associates	5,932	2,618
(Surplus)/deficit on revaluation of investment properties	(2,806)	1,800
Decrease/(increase) in other debtors, deposits, prepayments and interest receivable	199,693	(23,983)
(Decrease)/increase in creditors, accruals and interest payable	(15,455)	18
Decrease in provision for long service payments	(2,244)	(101)
(Increase)/decrease in amounts due from an associate	(59)	1,956
Decrease in inventories	6,640	6,669
Decrease in deferred expenditure	1,928	3,946
Decrease in bank borrowings	(564,872)	(209,934)
Net cash inflow from trading activities	148,080	321,233
(Decrease)/increase in customer deposits	(285,272)	14,437
Decrease in loans and advances	436,076	246
Net cash inflow from operating activities	298,884	335,916

## 34. 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 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
Balance at 31 December 2000 and 1 January 2001	1,276,859	190,828
Shares issued on exercise of share options	248	—
Share of profit for the year	—	15,863
Dividends paid to minority interests	—	(981)
<b>Balance at 31 December 2001</b>	<b>1,277,107</b>	<b>205,710</b>

## 35. Operating lease arrangements

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

At 31 December 2001, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Within one year	4,337	4,079
In the second to fifth years, inclusive	3,300	3,256
	<b>7,637</b>	<b>7,335</b>

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

At 31 December 2001, the Group had total future minimum lease rentals payable under non-cancellable operating leases falling due as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Within one year	17,519	16,454
In the second to fifth years, inclusive	9,004	10,706
	<b>26,523</b>	<b>27,160</b>

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## 36. Commitments

	Group	
	2001 HK\$'000	2000 HK\$'000
Capital commitments:		
Contracted for, but not provided in the financial statements:		
Purchases of fixed assets	—	—
Others	113	108
	<b>113</b>	<b>108</b>

The Company had no material outstanding commitments at the balance sheet date (2000: Nil).

## 37. Undrawn loan facilities

The undrawn loan facilities related to customers of JCG Finance.

	Group			
	2001		2000	
	Contractual amount HK\$'000	Risk weighted amount HK\$'000	Contractual amount HK\$'000	Risk weighted amount HK\$'000
With an original maturity of under one year or which are unconditionally cancellable	36,130	—	73,700	—

No loan facilities (2000: HK\$30,000,000) were granted to and drawn by the Winton Group. Undrawn loan facilities of HK\$20,000,000 (2000: HK\$20,000,000) were granted to JCG Securities Limited.

During the year, no derivative activities were transacted (2000: Nil).

## 38. Contingent liabilities

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
(a) Guarantees under the Co-Financing Arrangements given to:				
The ultimate holding company	770	770	—	—
Other co-financing banks	898	9,186	—	—
Letters of undertaking in respect of the surplus sale proceeds of taxi licences and cabs received from banks	2,047	—	—	—
	<b>3,715</b>	<b>9,956</b>	<b>—</b>	<b>—</b>



## 38. Contingent liabilities (continued)

- (b) Various ex-employees of a restaurant formerly operated by a subsidiary of the Winton Group served summons in July 2000 to the subsidiary seeking to file their respective statements of claim under representative action concerning employment related matters. At the hearing before the court on 10 July 2001, the court dismissed the ex-employees' applications. The ex-employees are required to file their statements of claim individually if they wish to proceed with their claims. So far, Winton Group is not aware of any statement of claims having been filed. Based on legal advice, any such claims will be defended by the Winton Group.

## 39. 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	
		2001 HK\$'000	2000 HK\$'000
Commission received from the ultimate holding company	(a)	1,646	104
Interest paid to fellow subsidiaries	(b)	29,088	85,432
Interest received from a fellow subsidiary	(b)	12,214	15,756
Rental income received from the ultimate holding company	(c)	836	1,027
Management fees received from the ultimate holding company	(d)	229	267
Interest income from associates	(e)	—	961
Provision against an amount due from an associate	(f)	7,339	1,054
Interest received from the ultimate holding company	(g)	41	—

- (a) No commission income (2000: HK\$76,000) was received from Public Bank under the Co-Financing Arrangement. During the year, no new hire purchase loans (2000: 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\$1,646,000 (2000: HK\$28,000) received from referrals of floating rate hire purchase loans to Public Bank was determined based on market practice.

- (b) No deposits were accepted from PB Trust Co Sdn Bhd during the year. Certain deposits were accepted from the fellow subsidiary in the ordinary course of business and under normal commercial terms during 2000.

Public Bank (L) Ltd granted loans to the Group during the year. The principal amount of the loans were utilised up to HK\$200,000,000 (2000: HK\$749,414,000) at the balance sheet date (*note 28*).

In addition, the Group's placements with banks, amounting to HK\$300,000,000 (2000: HK\$300,000,000), were placed with a fellow subsidiary of the Company at the balance sheet date (*note 17*).

# Notes to Financial Statements

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## 39. Related party transactions (continued)

- (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 from associates arose from loans granted to the associates (*note 23*).
- (f) The amount related to a provision for estimated losses on an amount due from an associate, the recoverability of which was doubtful. Accordingly, full provision has been made during the year.
- (g) The interest income was received from fixed deposits placed with Public Bank at the then prevailing market rates.

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.

## 40. Comparative figures

As further explained in note 3 to the financial statements, due to the adoption of new SSAPs during the current year, the presentation of the profit and loss account, the balance sheets and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative figures have been reclassified to conform with the current year's presentation.

## 41. Approval of the financial statements

The financial statements were approved by the board of directors on 16 January 2002.