



JCG Holdings Limited



| ANNUAL REPORT 2002 |

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### Board of Directors

#### Chairman

Y. Bhg. Tan Sri Dato' Sri Dr. Teh Hong Piow  
Chairman  
Public Bank Berhad

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

#### Independent Non-executive Directors

Geh Cheng Hooi, Paul  
Y. Bhg. Dato' Yeoh Chin Kee

### Joint Secretaries

Tan Yoke Kong  
Chan Sau Kuen

### Registered Office

Clarendon House  
Church Street  
Hamilton HM 11  
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

### Share Listing

Main Board of The Stock Exchange  
of Hong Kong Limited  
Stock Code : 626

### Principal Registrar

Butterfield Fund Services (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

### Hong Kong Branch Registrar

Tengis Limited  
Ground Floor  
Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong  
Telephone : (852) 2980 1333  
Facsimile : (852) 2810 8185

### Auditors

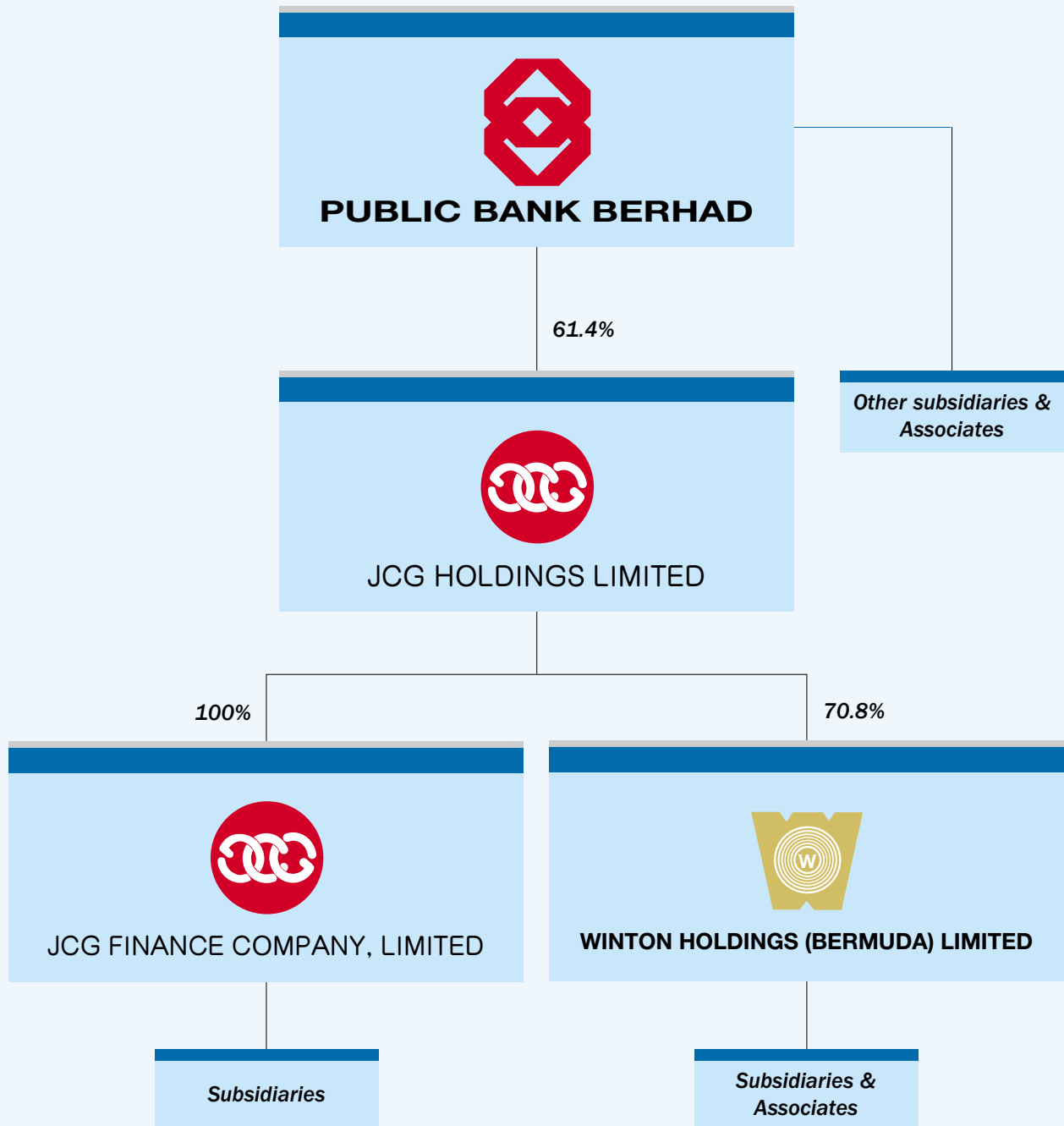
Ernst & Young  
Certified Public Accountants

### Legal Advisers

Charles Yeung Clement Lam Liu & Yip  
CMS Cameron Mckenna  
Deacons

### Principal Bankers

Bangkok Bank Limited  
Bank of China (Hong Kong) Limited  
Bumiputra–Commerce Bank Berhad  
Citibank N.A.  
Citic Ka Wah Bank Limited  
Dao Heng Bank Limited  
NM Rothschild & Sons (Hong Kong) Limited  
Oversea–Chinese Banking Corporation Limited  
Public Bank Berhad  
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





## Hong Kong Island

- 1 Landmark Branch**  
Room 1905, Gloucester Tower  
The Landmark, Central  
Tel: 25224067 Fax: 25373623  
**Zone Manager: Umali Ofelia T.**
- 2 Queen's Road Central Branch**  
1/F, Parker House  
72 Queen's Road Central  
Tel: 252486415 Fax: 28779088  
**Manager: Paul Wong Chun Pui**
- 3 Central Branch**  
M/F, Chung Nam House  
59 Des Voeux Road Central  
Tel: 25248676 Fax: 28779084  
**Manager: Jimmy Wong Kai Ip**
- 4 Wing On House Branch**  
Room 1109-10, Wing On House  
71 Des Voeux Road, Central  
Tel: 28683211 Fax: 25372909  
**Manager: Rodríguez Lolita H.**
- 5 Wanchai Branch**  
G/F, 170 Hennessy Road  
Tel: 25746245 Fax: 28936653  
**Manager: Ringo Cheng Man Kwong**
- 6 Tin Lok Lane Branch**  
G/F, Foo Tak Building  
365 Hennessy Road  
Tel: 28917028 Fax: 28933769  
**Manager: Alex Leung Cheuk Kwan**
- 7 Causeway Bay Branch**  
1/F, Coasia Building  
496-498 Lockhart Road  
Tel: 28936575 Fax: 28932770  
**Manager: Tong Woon Shing**
- 8 North Point Branch**  
Shop No.1, G/F, Wah Hing Building  
449-455 King's Road  
Tel: 25610160 Fax: 28563647  
**Manager: Arthur Ng Siu Kwan**
- 9 Shaukeiwan Branch**  
G/F, 134 Shaukeiwan Road  
Tel: 25670461 Fax: 28858501  
**Manager: Li Wai Yin**
- 10 Shek Tong Tsui Branch**  
Shop G1, Hong Kong Plaza  
188 Connaught Road West  
Tel: 28176125 Fax: 28177618  
**Manager: Kam Ying Wah**
- 11 Western District Branch**  
G/F, 260 Des Voeux Road West  
Tel: 25479148 Fax: 25461142  
**Manager: Denise Ho Mei Yu**
- 12 Aberdeen Branch**  
Shop A, G/F Kong Kai Building  
184-188 Aberdeen Main Road  
Tel: 25538231 Fax: 25543897  
**Manager: Daniel Louie Kin Cheong**
- 13 Chai Wan Branch**  
G/F, Flat B, 77 Walton Estate  
341-343 Chai Wan Road  
Tel: 25578003 Fax: 25574088  
**Manager: Jeffery Chan Siu Sung**
- 14 Quarry Bay Branch**  
G/F, 14 Hoi Kwong Street  
Tel: 25166368 Fax: 25790084  
**Manager: Victor Cheung Wa Wai**

## Kowloon

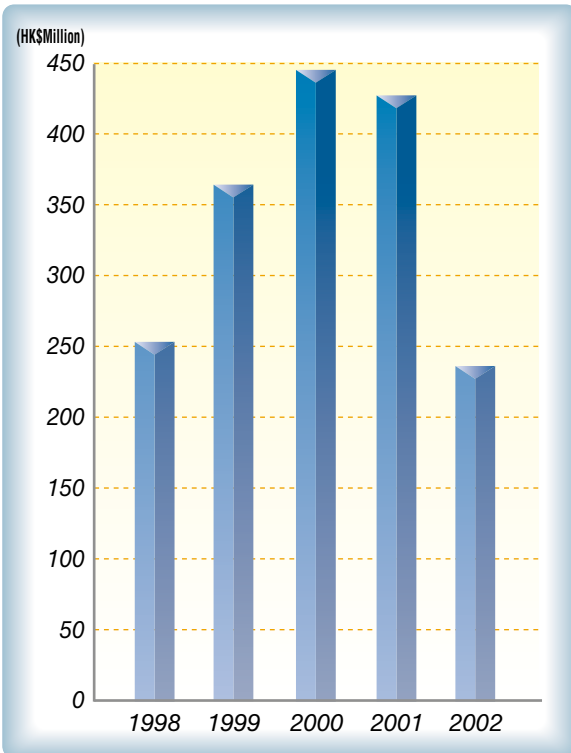
- 15 Star House Branch**  
Basement, Shop B9 & B10  
Star House Plaza, TST  
Tel: 27308395 Fax: 27302346  
**Manager: Wilson Wu Kin Sang**
- 16 Tsimshatsui Branch**  
Shop No. 51-53  
1/F, Harbour Crystal Centre  
100 Granville Road, TST East  
Tel: 23693236 Fax: 23110433  
**Manager: Ben Chui Jit Fung**
- 17 Jordan Road Branch**  
Shop B, G/F Dao Hing Building  
34 Jordan Road  
Tel: 27364711 Fax: 23148432  
**Manager: Solomon Leung Kwok Chung**
- 18 Nathan Road Branch**  
G/F, 480 Nathan Road  
Tel: 27715285 Fax: 27704127  
**Manager: Taylor Kan Yuk Lun**
- 19 Mongkok Branch**  
G/F, JCG Building  
16 Mongkok Road  
Tel: 23940253 Fax: 27875630  
**Manager: Danny Poon Wai Chung**
- 20 Shamshuipo Branch**  
G/F, Shop B, Wing Sing Building  
27 Castle Peak Road  
Tel: 27282347 Fax: 27299685  
**Manager: Peter Chan Chiu Ming**
- 21 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**
- 22 Hunghom Branch**  
G/F, 130 Ma Tau Wai Road  
Tel: 23344307 Fax: 27644876  
**Manager: Danny Lai Chung Wai**
- 23 Sanpokong Branch**  
G/F, 92 Shung Ling Street  
Tel: 23283175 Fax: 23254504  
**Manager: Ivan Lau Kan So**
- 24 Kowloon City Branch**  
G/F, 31 Lion Rock Road  
Tel: 23824893 Fax: 27164819  
**Manager: Samuel Kwan Wai Choi**
- 25 Tokwawan Branch**  
Shop 9 & 10, G/F  
Chong Chien Court  
355 Tokwawan Road  
Tel: 23657061 Fax: 27642832  
**Manager: Patrick Miu Ka Lok**
- 26 Kwun Tong Branch**  
G/F, 367 Ngau Tau Kok Road  
Tel: 23440264 Fax: 27635427  
**Manager: Horace Ng Pak Hung**
- 27 Wong Tai Sin Branch**  
G/F, 89 Fung Tak Road  
Tel: 23205112 Fax: 27260106  
**Manager: Ho Sau Yan**
- 28 Prince Edward Branch**  
G/F, 751 Nathan Road  
Tel: 23803260 Fax: 23804100  
**Manager: Evans Lam Kwan Chee**
- 29 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**
- 30 Kowloon Bay Branch**  
Unit 2B, G/F  
Fook Hong Industrial Building  
19 Sheung Yuet Road  
Tel: 27567320 Fax: 27585706  
**Manager: Danny Chow Koon Ping**
- 31 Tseung Kwan O Branch**  
Shop G29, G/F  
Metro City Plaza, Phase II  
Tel: 31944312 Fax: 31944377  
**Manager: Ian Ho Wai Ming**

## New Territories

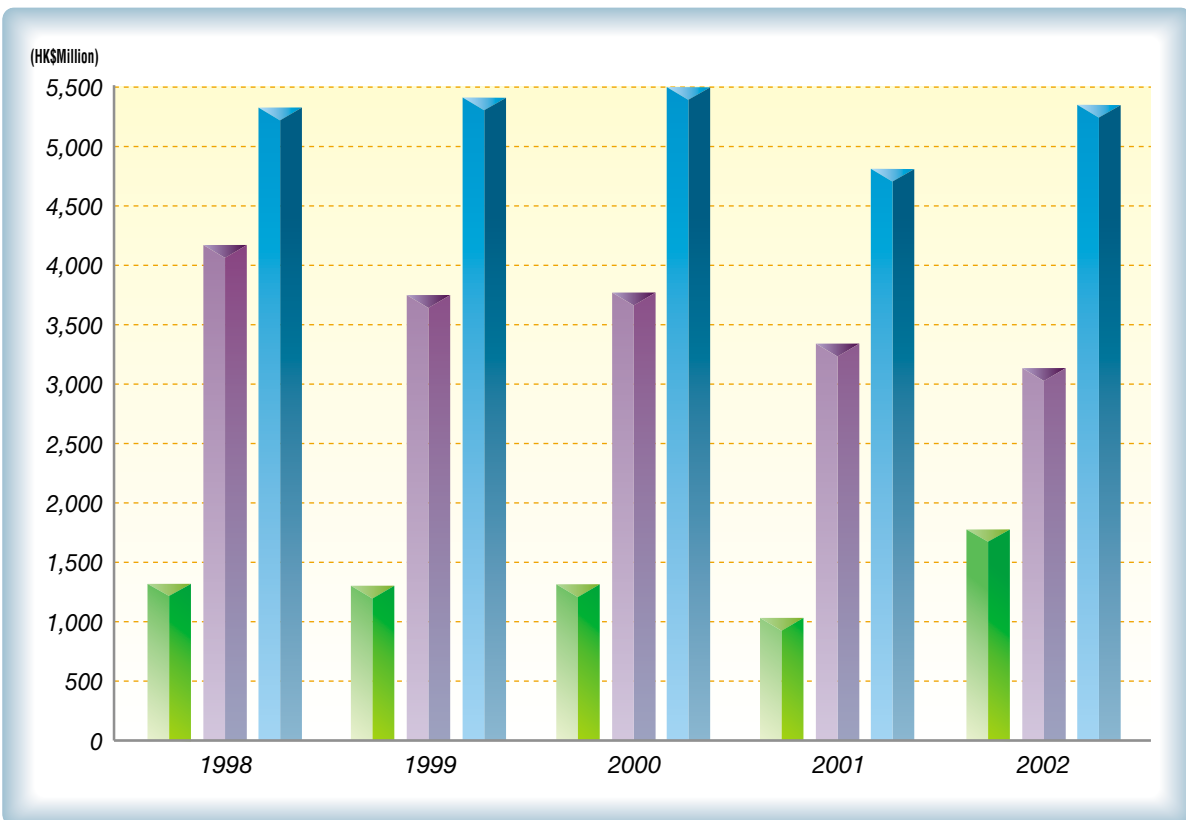
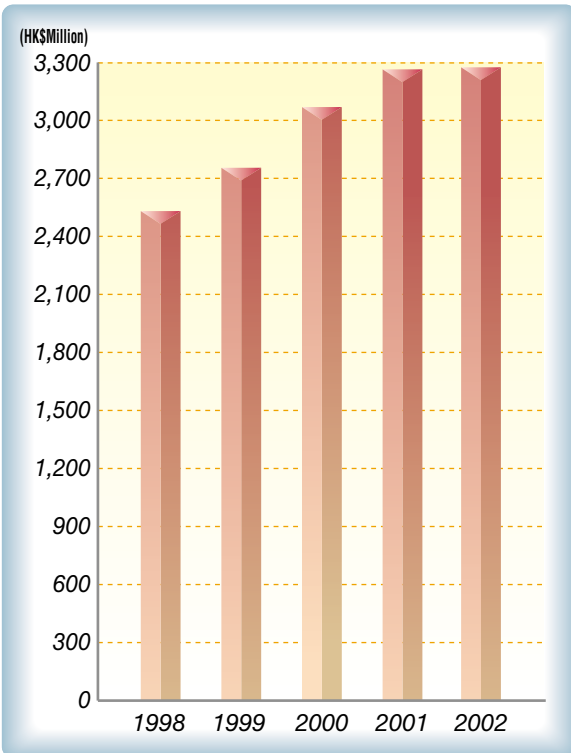
- 32 Kwai Chung Branch**  
Shop 301, 3/F  
Kwai Chung Plaza  
7-11 Kwai Foo Road  
Tel: 24200121 Fax: 24850590  
**Manager: Michael Yuen Chak Sang**
- 33 Tsuen Wan Branch**  
G/F, 232 Sha Tsui Road  
Tel: 24934187 Fax: 24174497  
**Manager: Leung Chiu Kwong**
- 34 Tuen Mun Branch**  
G/F Shop 7, Mei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

# Five Year Financial Summary

**Net Profit**



**Shareholders' Funds**



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

## 2002 Financial Highlights

Net profit:	HK\$237.3m
Loans and advances (net):	HK\$3,134.8m
Customer deposits:	HK\$1,774.3m
Shareholders' funds:	HK\$3,276.6m
Earnings per share:	33.5 cents
Total dividends per share:	18.0 cents
(Final dividend: 13.5 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 published audited financial statements, is set out below:

	Year ended 31 December				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
Loans and advances (net)	<b>3,134,806</b>	3,341,461	3,772,985	3,756,770	4,173,000
Other assets	<b>2,216,805</b>	1,473,945	1,729,223	1,657,938	1,157,624
Total assets	<b>5,351,611</b>	4,815,406	5,502,208	5,414,708	5,330,624
Customer deposits	<b>1,774,336</b>	1,033,546	1,318,818	1,304,381	1,003,364
Deposit from a financial institution	–	–	–	–	313,029
Other liabilities	<b>85,134</b>	309,780	920,619	1,180,382	1,291,997
Total liabilities	<b>1,859,470</b>	1,343,326	2,239,437	2,484,763	2,608,390
Net assets	<b>3,492,141</b>	3,472,080	3,262,771	2,929,945	2,722,234
Shareholders' funds	<b>3,276,618</b>	3,266,370	3,071,943	2,757,372	2,533,243
Minority interests	<b>215,523</b>	205,710	190,828	172,573	188,991
Total capital resources	<b>3,492,141</b>	3,472,080	3,262,771	2,929,945	2,722,234
Net profit attributable to shareholders	<b>237,338</b>	428,832	446,638	365,338	254,338
Basic earnings per share (cents)	<b>33.5</b>	60.7	63.2	51.7	36.0





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

*“I am pleased to present a review of the results of the Group for the financial year ended 31 December 2002”*

### Group Performance

During the year under review, Hong Kong's economy was faced with structural problems with high unemployment, plunging property prices and a record personal bankruptcy petitions. Weak loan demands and pressure on margins have continued to depress the financial sector. Amidst such a difficult operating and challenging environment, JCG Holdings Limited (the “Company”) and its subsidiaries (the “Group”) recorded a profit after tax and minority interests of HK\$237.3 million, representing a decrease of 44.7% or HK\$191.5 million when compared to HK\$428.8 million in the previous year. Accordingly, the Group's earnings per share decreased to 33.5 cents per share from 60.7 cents per share. The directors recommended the payment of a final dividend of 13.5 cents per share. Together with the interim dividend of 4.5 cents per share already paid, the total dividends for the year 2002 was 18 cents per share.

The decline in the Group's net profit was mainly attributed to a higher than expected increase in bad debts charge of JCG Finance Company, Limited (“JCG Finance”), resulted mainly from a high level of personal bankruptcies of its consumer loan customers. During the year, the Group's provisions for bad and doubtful debts increased sharply by 52.6% or HK\$164.4 million to HK\$477.2 million from HK\$312.8 million in the previous year. The Group's other major operating subsidiary, Winton Holdings (Bermuda) Limited (“Winton”) and its subsidiaries (the “Winton Group”), also recorded a decline in profit after tax by 51.2% or HK\$37.4 million to HK\$35.6 million when compared to the previous year, mainly due to a decrease in revenue income from lower taxi financing activities.

At the operating level before provisions, the performance of the Group for the year ended 31 December 2002 was considered satisfactory, with an operating profit before provisions of HK\$738.9 million, a decrease of HK\$86.5 million or 10.5% from HK\$825.4 million recorded in the previous year. The Group's net interest income decreased by 8.1% or HK\$67.9 million to HK\$771.2 million. Interest income decreased by 13.8% or HK\$128.4 million mainly due to a decrease in gross loans and advances and interest expense fell by 67.4% or HK\$60.4 million to HK\$29.2 million from lower interest rates contracted on customer deposits of JCG Finance and full settlement of the bank borrowings by Winton Group.

The Group's non-interest operating income decreased by 15.9% or HK\$31.8 million to HK\$168.0 million mainly due to the decrease in loan processing and related fees from a lower volume of consumer loans booked by JCG Finance during the year.

The Group's operating expenses decreased by 6.2% or HK\$13.3 million to HK\$200.2 million for the year when compared to the previous year and the cost to operating income ratio remained low at 21.3% in 2002.

## Group Performance (Continued)

As at 31 December 2002, the Group's total gross loans and advances decreased by 5.7% or HK\$209.6 million to HK\$3,466.2 million from HK\$3,675.8 million at the end of December 2001. JCG Finance's gross loans and advances decreased by 4.4% or HK\$141.1 million to HK\$3,100.7 million from HK\$3,241.8 million at the end of December 2001, which resulted from an aggressive write-off of bad debts of HK\$476.7 million mainly due to personal bankruptcies and lower volume of consumer loans transacted during the year. Winton Group's gross loans and advances also declined by 15.8% or HK\$68.5 million to HK\$365.5 million at the end of December 2002 mainly due to write-off of taxi financing loans, early settlements and lower volume of taxi financing loans booked.

As at 31 December 2002, the shareholders' funds of the Group increased slightly by 0.3% or HK\$10.2 million to HK\$3,276.6 million from HK\$3,266.4 million as at 31 December 2001. At the same time, the capital adequacy ratio of JCG Finance strengthened further to 38.96% as at 31 December 2002 from 37.74% as at end of the previous year.

## Prospects

The operating environment in Hong Kong is expected to remain difficult and challenging with the unemployment rate and the number of personal bankruptcies expected to remain high in the near term, and consumer demand is anticipated to remain weak. To face the challenges ahead, the Group will continue to focus on marketing and promoting consumer loans to selected market segments to attract new and better quality customers to expand its customer base. The Group will continue to look for opportunities to expand JCG Finance's branch network beyond its existing 40 branches, thus maintaining its position as the largest deposit taking company in Hong Kong in terms of branch network. The Group will continue to relocate some of the branches to improve their visibility and accessibility and enhance customer service quality to meet the changing demands of customers. The Group will continue to strengthen its credit risk management and adopt a conservative approach towards its consumer loans business in light of the high level of personal bankruptcies in Hong Kong.

The Group will continue to focus on developing its taxi financing and taxi trading businesses. With a well established panel of financiers and network of taxi dealers, the Group is positioned to grow its taxi financing and taxi trading businesses in 2003.

## Acknowledgement

On behalf of the Board of Directors, I wish to take this opportunity to express our appreciation to the management and staff of the Group for their commitment, dedication and perseverance. 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' Sri Dr. Teh Hong Piow**  
*Chairman*

### Business review

Amidst a difficult operating environment and a challenging year in 2002, the Group recorded a profit after tax and minority interests of HK\$237.3 million, representing a decrease of 44.7% or HK\$191.5 million when compared to HK\$428.8 million in the previous year. The Group's earnings per share decreased to 33.5 cents per share from 60.7 cents per share. The directors recommended the payment of a final dividend of 13.5 cents per share, and together with the interim dividend of 4.5 cents per share already paid, the total dividends for the year of 2002 was 18 cents per share.

The decrease in net profit of the Group was mainly attributed to a higher than expected increase in bad debts charge of JCG Finance as a result of a sharp increase in the number of personal bankruptcies from its consumer loans. During the year, the Group's provisions for bad and doubtful debts increased sharply by 52.6% or HK\$164.4 million to HK\$477.2 million from HK\$312.8 million in the previous year. The Group's other operating subsidiary, Winton Group, also recorded a decline in profit after tax by 51.2% or HK\$37.4 million to HK\$35.6 million when compared to the previous year, attributed mainly to a decrease in revenue income from taxi financing activities.

For the year ended 31 December 2002, the Group's net interest income decreased by 8.1% or HK\$67.9 million to HK\$771.2 million. The Group's interest income decreased by 13.8% or HK\$128.4 million mainly due to a decrease in gross loans and advances. The Group's interest expense fell by 67.4% or HK\$60.4 million to HK\$29.2 million mainly due to the general decline in interest rates for customer deposits of JCG Finance and full settlement of the bank borrowings by Winton Group in the first half of 2002.

The Group's other non-interest operating income decreased by 15.9% or HK\$31.8 million to HK\$168.0 million mainly attributed to the decrease in loans processing and related fees from a lower volume of consumer loans transacted by JCG Finance during the year.

The Group's operating expenses decreased by 6.2% or HK\$13.3 million to HK\$200.2 million for the year when compared to the previous year mainly due to the decrease in provision for other debtors of Winton Group by HK\$15.2 million. The Group's cost to operating income remained relatively low at 21.3% in 2002.

As at 31 December 2002, the Group's total gross loans and advances decreased by 5.7% or HK\$209.6 million to HK\$3,466.2 million from HK\$3,675.8 million at the end of December 2001. JCG Finance's gross loans and advances decreased by 4.4% or HK\$141.1 million to HK\$3,100.7 million from HK\$3,241.8 million at the end of December 2001, which resulted from an aggressive write-off of bad debts of HK\$476.7 million mainly due to personal bankruptcies and lower volume of consumer loans transacted during the year. Winton Group's gross loans and advances also declined by 15.8% or HK\$68.5 million to HK\$365.5 million at the end of December 2002 mainly due to write-off of taxi financing loans, early settlements and lower volume of taxi financing loans.

### Segment information

The Group's business comprised mainly of two segments, personal and commercial lending, and taxi trading. Over 90% of the Group's operating income and profits before tax were contributed from personal and commercial lending. When compared to 2001, the Group's operating income of personal and commercial lending decreased by 8.6% to HK\$923.5 million. However, profit before tax decreased by 47.1% to HK\$255.2 million in personal and commercial lending caused mainly by a significant increase in provisions for bad debts from its consumer loans as a result of escalating personal bankruptcies in Hong Kong.

### Asset quality

The Group's non-performing loans (excluding rescheduled loans) to total gross loans and advances improved to 6.8% at the end of December 2002 when compared to 7.6% at the end of December 2001. The non-performing loans at the end of 2002 included property mortgage loans and taxi financing loans of HK\$39.8 million and HK\$6.1 million, respectively, which were secured by properties, taxi cabs and taxi licences. The said non-performing secured loans represented 1.3% of the Group's total gross loans and advances. Specific provisions of HK\$25.9 million and HK\$2.6 million have been made against these property mortgage loans and taxi financing loans, respectively.

The consolidated capital adequacy ratio of JCG Finance increased by 1.22% to 38.96% at the end of 2002 when compared to 37.74% at end of the previous year.

### Funding and capital management

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. JCG Finance's average liquidity ratio stood high at 127.2% in 2002.

Winton Group funded its loans and advances through its internally generated capital and bank borrowings. During the year, Winton Group repaid its bank borrowings through its internally generated funds, mainly from loan repayments and early settlements of taxi financing loans. Winton Group's gearing ratio fell to nil from 0.2 at the end of 2001 based on bank borrowings to shareholders' funds (excluding the proposed dividend).

During 2002, the Group did not incur any material capital expenditure commitment. There were also no significant changes in charges over the Group's assets.

The Group's principal operations are transacted and recorded in Hong Kong Dollar. During the year, the Group has neither engaged in any derivative activities nor committed to any financial instruments to hedge its balance sheet exposures.

### Human resources management

The objectives of the Group's human resources management are to recognise and reward performing and competent staff by providing a competitive remuneration package and implementing a sound performance appraisal scheme, and to earmark them for their future career development.

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 moral 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 identify and launch new business promotions for consumer loans. With a competent, cohesive and well-trained work force, the Group is well positioned to meet new opportunities and challenges ahead.

As at end of December 2002, the Group has a relatively stable staff force of around 480 people. For the year ended 31 December 2002, the Group's staff costs amounted to HK\$89.9 million.

### 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 December 2002, the outstanding guarantees given to the co-financing banks decreased further to HK\$0.8 million from HK\$1.7 million as at the end of 2001.

### Post balance sheet events

On 3 December 2002, Winton had announced a proposed privatisation by way of a scheme of arrangement and withdrawal of listing from The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The privatisation of Winton has not been completed at the end of 2002. The results of the privatisation of Winton will be known following the Court Meeting and Special General Meeting scheduled on 27 February 2003. If the privatisation of Winton becomes effective, Winton will become a wholly-owned subsidiary of the Company and its listing would be withdrawn from the Stock Exchange accordingly.

### Prospects

The operating environment in Hong Kong is expected to continue to be very competitive and challenging in 2003. Unemployment rate and number of personal bankruptcies are expected to remain high in the near term, and demand for consumer financing is anticipated to remain weak. Amidst such difficult conditions, the Group will continue to focus on marketing and promoting consumer loans to selected market segments to attract new and better quality customers to expand its customer base. The Group will continue to relocate some of the branches to improve their visibility and accessibility and enhance customer service quality to meet the changing demands of customers. At the same time, the Group will continue to strengthen its credit risk management and stringent credit assessment and prudent loan limits for its consumer loans business in light of the high level of personal bankruptcies in Hong Kong.

The Group will continue to focus on developing its taxi financing and taxi trading businesses. With a well established panel of financiers and network of taxi dealers, the Group is positioned to grow its taxi financing and taxi trading businesses in 2003.

### *Y. Bhg. Tan Sri Dato' Sri Dr. Teh Hong Piow*

Y. Bhg. Tan Sri Dato' Sri Dr. Teh Hong Piow, aged 72, is the founder, Chairman and controlling shareholder of Public Bank and the Chairman of Winton. He has more than 53 years of experience in the banking and finance industry. He was appointed a Non-executive Director and the Chairman of the Company in September 1991. He is a Fellow of several institutes which include the Institute of Chartered Secretaries and Administrators, Australia; the Institute of Bankers Malaysia; the Chartered Institute of Bankers, U.K.; the Institute of Management, U.K.; and the Malaysian Institute of Management. He had served in various capacities in public service bodies in Malaysia, such as being a member of the Malaysian Business Council from 1991 to 1993 and a member of the National Trust Fund from 1988 to 2001. He also holds directorships in several other companies in the Public Bank Group.

### *Mr. Tan Yoke Kong*

Mr. Tan Yoke Kong, aged 50, has more than 21 years of experience in the banking sector. He was appointed an Executive Director of the Company in February 1992. He is also an Executive Director of Winton. He is a Fellow of the Association of Chartered Certified Accountants, U.K. and an Associate of the Institute of Chartered Secretaries and Administrators, U.K. He is currently the Vice-chairman of The DTC Association and is a member of the Deposit-taking Companies Advisory Committee.

### *Y. Bhg. Datuk Tay Ah Lek*

Y. Bhg. Datuk Tay Ah Lek, aged 60, has 42 years of experience in the banking and finance industry. He was appointed a Non-executive Director of the Company in January 1995 and is a member of the Audit Committee. He is the Managing Director of Public Bank. He is a Fellow of the Australasian Institute of Banking and Finance and the Institute of Bankers Malaysia. He is presently the Chairman of the Association of Finance Companies of Malaysia and Honorary Advisor to the Association of Hire Purchase Companies of Malaysia. He is also a Council Member of the National Economic Action Council, Malaysia and the National Payments Advisory Board, Malaysia. He also holds directorships in several other companies in the Public Bank Group.

### *Mr. Lee Huat Oon*

Mr. Lee Huat Oon, aged 40, has more than 15 years of experience in the banking sector. He was appointed an Executive Director of the Company in June 1996. He is also an Executive Director of Winton. He holds a degree in Accounting from the University of Malaya and is a Registered Accountant with the Malaysian Institute of Accountants.

### *Mr. Wong Kong Ming*

Mr. Wong Kong Ming, aged 49, has over 27 years of experience in the banking sector. He was appointed a Non-executive Director of the Company in June 1996. He is the General Manager of Public Bank, Hong Kong Branch and an Executive Director of Winton. He is an Associate of the Chartered Institute of Bankers, U.K.; the Institute of Bankers Malaysia and the Malaysian Institute of Management.

### *Mr. Geh Cheng Hooi, Paul*

Mr. Geh Cheng Hooi, Paul, aged 68, was appointed an Independent Non-executive Director of the Company in March 1995 and is a member of the Audit Committee. He is also an Independent Non-executive Director of Winton and a consultant/advisor with KPMG, Malaysia, prior to which, he was the Senior Partner thereof. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

### *Y. Bhg. Dato' Yeoh Chin Kee*

Y. Bhg. Dato' Yeoh Chin Kee, aged 60, has 42 years of experience in the banking and finance industry. He was appointed an Independent Non-executive Director of the Company in September 2002 and is currently the Chairman of the Audit Committee. He is also an Independent Non-executive Director of Public Bank and Winton. He is a Fellow of the Australian Society of Certified Practising Accountants and the Australasian Institute of Banking and Finance. He also holds directorships in several other companies in the Public Bank Group.



◀ The Board of Directors at the 2002 Annual General Meeting of JCG Holdings Limited held at Mandarin Oriental Hong Kong in February 2002.

▶ Datuk Tay Ah Lek, Mr. Geh Cheng Hooi, Paul and the staff took a photograph with our Group Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow, at his 72nd Birthday Dinner.



◀ A toast by the Board of Directors and senior management at the 25th Anniversary Dinner of JCG Group held at Hotel Inter-continental Hong Kong in April 2002.

▶ Mr. Tan Yoke Kong, the General Manager of JCG Finance, presented the birthday gift to our Group Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow.



◀ A photo of Mr. Tan Yoke Kong with the branch staff taken at the new premises of Queen's Road Central branch.

► Staff actively sharing their views on how to improve the business of the Group at the JCG Management Seminar 2002 held at The Excelsior Hong Kong in August 2002.



◀ A refresher course in anti-money laundering organised by our Training Department for the staff.

► One of the "strong" teams participating in the inter-house basketball competition.



◀ An elegant gesture posed by a staff taking part in the bowling competition organised by JCG Sports Club.

► Staff and family members posed at the entrance of the Lai Chee Villa, Yuen Long in the JCG Annual Outing 2002.



◀ The professional performances by the Filipino staff won the applause of the attendees at the FLD Christmas Party 2002.



The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2002.

### Principal activities

The Company acted as an investment holding company during the year. The principal activities of its subsidiaries 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 significant changes in the nature of the Group's principal activities during the year.

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

### Results and dividends

The Group's profit for the year ended 31 December 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 64.

An interim dividend of 4.5 cents (2001: 8.5 cents) per ordinary share was paid on 30 August 2002. The directors recommend the payment of a final dividend of 13.5 cents (2001: 23.5 cents) per ordinary share in respect of the year to shareholders on the register of members on 2 April 2003. 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 7.

### Fixed assets and investment properties

Details of movements in the fixed assets and investment properties of the Group are set out in notes 24 and 20 to the financial statements, respectively.

### Share capital and share options

Details of movements in the Company's share capital and share options are set out in note 31 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.

### Conversion and redemption of convertible preference shares of a subsidiary

On 3 March 2000, Winton Holdings (Bermuda) Limited ("Winton"), a non-wholly 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 of Winton 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.

During the year, a total of 51,863,228 CPS not held by the Company, representing 5.6% of the total CPS issued, were converted into 51,863,228 ordinary shares of Winton pursuant to the terms of CPS. In December 2002, Winton served the notice of redemption to the holders of 1,911,651 CPS (other than those held by the Company) to redeem the CPS. At the close of business on 31 December 2002, 1,911,651 CPS were redeemed at HK\$0.5724 each and cancelled accordingly; whilst the remaining 870,225,121 CPS were beneficially owned by the Company.

### 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 32 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 2002, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$1,489,976,000 (inclusive of the Company's contributed surplus) as computed in accordance with the generally accepted accounting principles of Hong Kong, SAR. In addition, the Company's share premium account in the amount of approximately HK\$1,209,593,000 may be distributed in the form of fully paid bonus shares.

## Major customers and suppliers

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

## Directors

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

### *Non-executive Directors:*

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

### *Executive Directors:*

Tan Yoke Kong  
Lee Huat Oon

### *Independent Non-executive Directors:*

Geh Cheng Hooi, Paul  
Dato' Yeoh Chin Kee (appointed on 2 September 2002)  
Cheah Cheng Hye (resigned on 2 September 2002)

In accordance with the bye-laws of the Company, Dato' Yeoh Chin Kee and Mr. Wong Kong Ming will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

## 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 9 and 10 to the financial statements, respectively.

## Directors' service contracts

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

## Directors' interests in contracts

Except as detailed in note 38 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 of Hong Kong Limited (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 interest	Personal interest
1. The Company	Tan Sri Dato' Sri Dr. Teh Hong Piow	434,408,110	–
	Tan Yoke Kong	–	150,000
2. Public Bank Berhad ("Public Bank"), the ultimate holding company	Tan Sri Dato' Sri Dr. Teh Hong Piow	1,233,613,519	1,250,000
	Datuk Tay Ah Lek	216,125	221,000
	Dato' Yeoh Chin Kee	–	30,000
	Wong Kong Ming	–	146,020
3. Public Finance Berhad ("Public Finance"), a fellow subsidiary	Tan Sri Dato' Sri Dr. Teh Hong Piow	224,328,051	16,500
	Datuk Tay Ah Lek	2,349	1,650
4. Winton, a subsidiary	Tan Sri Dato' Sri Dr. Teh Hong Piow	333,949,925	–

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

Tan Sri Dato' Sri 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 the ordinary shares and convertible preference shares of the associated corporations as disclosed above, to the extent that Public Bank has an interest.

By virtue of his interest in Public Bank, Tan Sri Dato' Sri 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.

## Directors' interests in shares (Continued)

(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 end of the year	Exercise price	Exercisable period
			At the beginning of the year	Granted/ (Exercised) during the year			
1. The Company	(i)	Tan Yoke Kong	150,000	(150,000)	–	HK\$4.77	50%: 5.7.1999 to 4.7.2002 50%: 5.7.2000 to 4.7.2002
	(i)	Lee Huat Oon	136,000	(136,000)	–	HK\$4.77	50%: 5.7.1999 to 4.7.2002 50%: 5.7.2000 to 4.7.2002
2. Public Bank	(ii)	Tan Sri Dato' Sri Dr. Teh Hong Piow	250,000	–	250,000	RM1.02	10.4.1998 to 24.2.2005
			75,000	–	75,000	RM1.02	23.4.2001 to 24.2.2005
		–	81,250	81,250	RM1.02	18.7.2002 to 24.2.2005	
		–	36,360,000	36,360,000	RM2.22	6.6.2002 to 24.2.2005	
		–	9,090,000	9,090,000	RM2.22	18.7.2002 to 24.2.2005	
			<b>325,000</b>	<b>45,531,250</b>	<b>45,856,250</b>		
	(ii)	Datuk Tay Ah Lek	175,000	–	175,000	RM1.02	10.4.1998 to 24.2.2005
			52,500	–	52,500	RM1.02	23.4.2001 to 24.2.2005
			–	56,875	56,875	RM1.02	18.7.2002 to 24.2.2005
			–	10,000,000	10,000,000	RM2.22	6.6.2002 to 24.2.2005
–			2,500,000	2,500,000	RM2.22	18.7.2002 to 24.2.2005	
		<b>227,500</b>	<b>12,556,875</b>	<b>12,784,375</b>			
(ii)	Wong Kong Ming	–	100,000	100,000	RM2.22	6.6.2002 to 24.2.2005	
		–	25,000	25,000	RM2.22	18.7.2002 to 24.2.2005	
		–	125,000	125,000			
3. Public Finance	(iii)	Tan Sri Dato' Sri Dr. Teh Hong Piow	–	3,300,000	3,300,000	RM6.60	6.6.2002 to 30.5.2007

### 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 ("JCG Old Scheme"). The JCG Old Scheme was terminated and replaced by a new share option scheme at the annual general meeting held on 28 February 2002 ("JCG New Scheme").
- (ii) The options to subscribe for ordinary shares of RM0.50 each in Public Bank were first granted on 10 April 1998 under its Employees' Share Option Scheme ("PBB ESOS"). Following approvals from the relevant authorities and the shareholders of Public Bank at the extraordinary general meeting held on 20 May 2002, the PBB ESOS has been extended for two years to 25 February 2005. Hence, the exercisable period of the options has also been extended up to and including 24 February 2005. The number of share options and the exercise prices were adjusted pursuant to the Public Bank bonus issues on 23 April 2001 and 18 July 2002. Further options were granted to employees of Public Bank on 6 June 2002. The options are exercisable subject to the terms of the PBB ESOS.
- (iii) The options to subscribe for ordinary shares of RM1.00 each in Public Finance were granted on 6 June 2002 under its Employees' Share Option Scheme ("PFB ESOS"). The options are exercisable subject to the terms of the PFB ESOS.

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.

### Directors' rights to acquire shares or debentures

Apart from the share option schemes disclosed above and set out in note 31 to the financial statements, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or in any other body corporate.

### Directors' interests in competing business

Tan Sri Dato' Sri 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' Sri 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 Company, Limited ("JCG Finance") during the year were referred by Winton and its subsidiaries (the "Winton Group") and other taxi dealers. The terms and conditions of the taxi financing loans are market driven and agreed at arm's length between the hirers and the financiers.

### Substantial shareholders

At the balance sheet date, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that Public Bank held a beneficial interest in 434,408,110 ordinary shares of HK\$0.10 each in the Company, which represented approximately a 61.4% shareholding in the issued share capital of the Company.

Tan Sri Dato' Sri 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 has any rights to subscribe for shares in respect of such capital.

### Connected transactions

- (1) A tenancy arrangement was first made on 23 July 1997 and renewed subsequently by tenancy agreements between JCG Finance, a wholly-owned subsidiary, as the landlord and Public Bank, the ultimate holding company, as the tenant whereby JCG Finance agreed to lease an apartment located in Taikoo Shing, Hong Kong to Public Bank as its staff quarters. The existing tenancy agreement was entered into on 16 July 2002 for a term of two years commencing from 1 August 2002 to 31 July 2004 at a monthly rental of HK\$19,000.

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 14 June 2002 for a term of two years commencing from 1 August 2002 to 31 July 2004 at a monthly rental of HK\$35,775.

- (2) The Company'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.

### Connected transactions (Continued)

During the year, no new hire purchase loans were granted by the Group under the Co-financing Arrangements with Public Bank (2001: Nil) and JCG Finance (2001: Nil). There were no new guarantees ("Guarantee") provided by Winton to Public Bank (2001: Nil) and JCG Finance (2001: Nil) in respect of borrowers who may default within one year of the co-financed hire purchase loans. However, Winton has outstanding Guarantee for the amount of approximately HK\$770,000 (2001: HK\$770,000) given to Public Bank for two accounts rescheduled by Public Bank on terms similar to those Winton Group has with other co-financing banks. Under the Co-financing Arrangements, no interest income was received by Public Bank (2001: Nil) and JCG Finance (2001: Nil) from the Winton Group. No commission income was received by the Winton Group from Public Bank (2001: Nil) and JCG Finance (2001: Nil) under the Co-financing Arrangements.

The Company and Winton were separately granted conditional waivers by the Stock Exchange, under letters dated 19 and 7 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. Mr. Geh Cheng Hooi, Paul and Dato' Yeoh Chin Kee, the Independent Non-executive Directors of both the Company and Winton, 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 the Company and Winton.

- (3) Pursuant to facility agreements entered into between WFL and Public Bank (L) Ltd ("PBL"), a wholly-owned subsidiary of Public Bank, PBL granted unsecured revolving credit facilities to WFL for a total of HK\$800,000,000 (2001: HK\$800,000,000). The facilities were utilised to the extent of HK\$200,000,000 during the year and were fully repaid before the maturity dates (2001: up to HK\$749,414,000 and as at 31 December 2001: HK\$200,000,000). Interest paid by the Group for the year to PBL in respect of the facilities amounted to approximately HK\$1,084,000 (2001: HK\$29,088,000).
- (4) Pursuant to the master dealer agreements entered into between Winton Motors, Limited ("WML") and each of Public Bank and JCG Finance on 29 December 1994 and 1 March 2001, 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 were HK\$6,938,000 (2001: HK\$11,684,000) and HK\$9,596,000 (2001: HK\$1,646,000), respectively.

The Company and Winton were separately granted conditional waivers by the Stock Exchange under letters dated 16 and 23 May 2001, respectively, from strict compliance with the requirements of Chapter 14 of the Listing Rules in respect of the Transactions. Mr. Geh Cheng Hooi, Paul and Dato' Yeoh Chin Kee, the Independent Non-executive Directors of both the Company and Winton, 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 the Company and Winton.

- (5) During the year, Winton placed fixed deposits up to HK\$300,000,000 (2001: HK\$300,000,000) with PBL at prevailing market rates and such deposits were subsequently withdrawn before 31 December 2002 (31 December 2001: HK\$300,000,000). Interest income received by Winton for the year from PBL in respect of the placements amounted to approximately HK\$1,435,000 (2001: HK\$12,214,000).
- (6) 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 2002, the fixed deposit placed amounted to HK\$284,955,000 (2001: HK\$22,036,000). 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\$3,138,000 (2001: HK\$41,000).
- (7) During the year, Winton placed fixed deposits up to HK\$200,934,000 with JCG Finance at prevailing market rates and such deposits were subsequently withdrawn before 31 December 2002 (31 December 2001: HK\$200,000,000). Interest income received by Winton for the year from JCG Finance in respect of the placements amounted to approximately HK\$1,831,000 (2001: HK\$65,000).

### Compliance with Supervisory Policy Manuals

The Group has followed the guidelines on “Financial Disclosure by Locally Incorporated Authorised Institutions” and “Corporate Governance of Locally Incorporated Authorised Institutions” under the Supervisory Policy Manuals issued by the Hong Kong Monetary Authority (“HKMA”).

### Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting year covered by this annual report. The Non-executive Directors and Independent Non-executive Directors of the Company are 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.

### 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

22 January 2003



安永會計師事務所

To the members

**JCG Holdings Limited**

*(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 24 to 59 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 2002 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

22 January 2003



## Consolidated Profit and Loss Account

For the year ended 31 December 2002

	Notes	2002 HK\$'000	2001 HK\$'000
Interest income		800,349	928,711
Interest expense		(29,189)	(89,612)
<b>NET INTEREST INCOME</b>		<b>771,160</b>	839,099
Other operating income	5	167,958	199,774
<b>OPERATING INCOME</b>		<b>939,118</b>	1,038,873
Operating expenses	6	(200,203)	(213,509)
<b>OPERATING PROFIT BEFORE PROVISIONS</b>		<b>738,915</b>	825,364
Provisions for bad and doubtful debts	8	(477,213)	(312,770)
<b>OPERATING PROFIT</b>		<b>261,702</b>	512,594
Gain on disposal of an associate		3,557	–
Share of results of associates		–	(5,932)
<b>PROFIT BEFORE TAX</b>		<b>265,259</b>	506,662
Tax	11	(28,438)	(61,967)
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>236,821</b>	444,695
Minority interests		517	(15,863)
<b>NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>	12	<b>237,338</b>	428,832
<b>DIVIDENDS</b>	13		
Interim		32,005	60,097
Proposed final		95,547	166,162
		<b>127,552</b>	226,259
<b>EARNINGS PER SHARE</b> (cents)	14		
Basic		33.5	60.7
Diluted		N/A	N/A

	Notes	Group		Company	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>ASSETS</b>					
Cash and short term placements	15	1,444,612	523,497	648,452	55,632
Placements with banks and financial institutions maturing between one and twelve months	16	128,368	305,000	479,706	1,031,121
Loans and advances	7	3,134,806	3,341,461	–	–
Other assets	17	279,341	267,785	1,577	2,119
Long term investment	19	7,889	9,540	–	–
Investment properties	20	60,080	73,602	–	–
Interests in subsidiaries	21	–	–	1,641,217	1,629,063
Interest in an associate	22	–	–	–	–
Fixed assets	24	296,515	294,521	–	–
<b>TOTAL ASSETS</b>		<b>5,351,611</b>	4,815,406	<b>2,770,952</b>	2,717,935
<b>LIABILITIES</b>					
Customer deposits	26	1,774,336	1,033,546	–	–
Interest-bearing bank borrowings	27	–	200,000	–	–
Other liabilities	28	85,134	109,780	607	615
<b>TOTAL LIABILITIES</b>		<b>1,859,470</b>	1,343,326	<b>607</b>	615
<b>CAPITAL RESOURCES</b>					
Share capital	31	70,776	70,707	70,776	70,707
Reserves	32	3,110,295	3,029,501	2,604,022	2,480,451
Proposed final dividend	13	95,547	166,162	95,547	166,162
Shareholders' funds		3,276,618	3,266,370	2,770,345	2,717,320
Minority interests		215,523	205,710	–	–
<b>TOTAL CAPITAL RESOURCES</b>		<b>3,492,141</b>	3,472,080	<b>2,770,345</b>	2,717,320
<b>TOTAL LIABILITIES AND CAPITAL RESOURCES</b>		<b>5,351,611</b>	4,815,406	<b>2,770,952</b>	2,717,935

Tan Yoke Kong  
Director

Lee Huat Oon  
Director

## Consolidated Summary Statement of Changes in Equity

For the year ended 31 December 2002

	Note	2002 HK\$'000	2001 HK\$'000
<b>TOTAL EQUITY</b>			
Balance at beginning of year		<b>3,266,370</b>	3,071,943
Deficit on revaluation of long term equity investments	32	<b>(1,651)</b>	(4,870)
Loss on diluted shareholding of a subsidiary, net of gain on redemption of minority interests	32	<b>(30,534)</b>	–
Net losses not recognised in the consolidated profit and loss account		<b>(32,185)</b>	(4,870)
Net profit from ordinary activities attributable to shareholders		<b>237,338</b>	428,832
Dividends paid on ordinary shares		<b>(198,167)</b>	(229,783)
Issue of shares		<b>3,262</b>	248
		<b>42,433</b>	199,297
Balance at end of year		<b>3,276,618</b>	3,266,370

The privatisation scheme of Winton, via a scheme of arrangement and withdrawal of its listing, which was proposed on 3 December 2002, had not been completed in 2002. The privatisation scheme has been scheduled for approval by its independent shareholders in February 2003. As a result, a net loss of HK\$30,534,000 arising from the temporary dilution of the Group's shareholding in Winton Group together with any gains arising on completion of the said privatisation scheme will be accounted for as negative goodwill in the first half of 2003.

# Consolidated Cash Flow Statement

For the year ended 31 December 2002

	Notes	2002 HK\$'000	2001 HK\$'000
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	33	<b>958,721</b>	208,649
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of fixed assets		(2,506)	(22,268)
Proceeds from sale of fixed assets		16	40
Proceeds from disposal of investment in an associate		3,557	–
Purchase of additional interests in a subsidiary		(13,246)	–
Dividends from listed investments		266	266
Net cash used in investing activities		(11,913)	(21,962)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Shares issued on exercise of share options		3,262	248
Dividends paid on ordinary shares		(198,167)	(229,783)
Dividends paid to minority interests		(7,420)	(981)
Net cash used in financing activities		(202,325)	(230,516)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>744,483</b>	(43,829)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>828,497</b>	872,326
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>1,572,980</b>	828,497
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and short term placements	15	1,444,612	523,497
Placements with banks and financial institutions maturing within three months		128,368	305,000
		<b>1,572,980</b>	828,497

### 1. CORPORATE INFORMATION

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

During the year, the Group's principal activities were deposit taking, personal and commercial lending, 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 significant changes in the nature of the Group's principal activities during the year.

On 3 December 2002, the Company's subsidiary, Winton, proposed a privatisation scheme via a scheme of arrangement and withdrawal of its listing. The privatisation scheme had not been completed in 2002 and has been scheduled for approval by its independent shareholders in February 2003.

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

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

The following recently-issued and revised SSAPs have been adopted for the first time in the preparation of the current year's consolidated financial statements:

- SSAP 1 (Revised) : Presentation of financial statements
- SSAP 11 (Revised) : Foreign currency translation
- SSAP 15 (Revised) : Cash flow statements
- SSAP 33 : Discontinuing operations
- SSAP 34 : Employee benefits

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in the financial statements of these SSAPs which have had a significant effect on the financial statements are summarised as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated summary statement of changes in equity is now presented on page 26 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions in the financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries are translated at weighted average exchange rates for the year, rather than translated at the applicable rates of exchange ruling at the balance sheet date as was previously required. Further details about the impact of this SSAP are described in the accounting policy for foreign currencies below.

SSAP 15 (Revised) prescribes the format for the cash flow statement. The principal impact of the revision of this SSAP is that cash flows are now presented under three headings, that is, cash flows from operating, investing and financing activities, rather than the five headings previously required. The format of the cash flow statement set out on page 27 of the financial statements and the notes thereto have been revised in accordance with the new requirements. The cash flows of the Company's overseas subsidiaries are now translated using the exchange rates at the dates of the cash flows or, if applicable, at the weighted average exchange rates, whereas before, they were translated at the applicable rates of exchange ruling at the balance sheet date. Further details about the impact of this change are described in the accounting policy for foreign currencies as set out in note 3.

## 2. IMPACT OF NEW/REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) (Continued)

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits. Additional disclosures are now required in respect of the Company's share option scheme(s), as detailed in note 31. These disclosures are similar to those required by the Listing Rules and which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

## 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 2002. 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 acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. In the prior year, upon SSAP 30 becoming effective, the Group adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves.

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 goodwill which remains unamortised and any relevant reserves, as appropriate.

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

The Company's interests in subsidiaries are stated at cost less any impairment losses.

### *Associates*

An associate is a company, not being a subsidiary or a jointly-controlled entity, 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 impairment losses.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *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.

#### *Fixed assets and depreciation*

Fixed assets, other than investment properties, are stated at cost or carrying amount, except for certain leasehold land and buildings which were transferred from investment properties, which 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 <sup>1</sup> / <sub>3</sub> %
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.

#### *Impairment of assets*

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of any asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *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 losses.

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, if any. 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.

#### *Long term investments*

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

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.

#### *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.

#### *Cash and cash equivalents*

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

For the purpose of balance sheet classification, cash and cash equivalents comprise cash at bank and in hand including short term deposits and assets similar in nature to cash, which are not restricted as to use.



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *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.

#### *Provisions for bad and doubtful debts*

Provisions are made against loans and advances in accordance with guidelines on the loan classification system issued by 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 special mention, 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 to the unsecured portion of the loans classified as special mention, 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 specific provision of 2% is applied to secured floating rate tax financing loans classified as special mention.

A general provision of 2% is applied to secured loans classified as pass; and a general provision of 3% to 30% is applied to 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 such as bankruptcy petitions of borrowers.

#### *Repossessed assets*

Repossessed assets refer to the assets repossessed by the Group when secured loans have been overdue and the borrower has been unable to settle the payments in arrears after the Group has exhausted all collection efforts. Action is taken to repossess the assets by the Group via court proceedings or voluntary actions for release in full or in part the obligations of the borrowers. Specific provisions are made for the shortfall in the net realisable value of repossessed assets against the outstanding loans, if any. If the proceeds from subsequent sales of the assets still cannot fully cover the outstanding loans, the amount of outstanding loans net of sales proceeds will be written off and the specific provision that has been made will be reversed accordingly.

#### *Co-financing operations*

The Group and its co-financing banks jointly provide hire purchase loans under the Co-financing Arrangements. The amounts receivable by the Group in connection with its hire purchase financing activities 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.

Commission expenses, after netting off any related commission receivable from co-financing banks under the Co-financing Arrangements, 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.

### 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 consolidated profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated to Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated to Hong Kong dollars at the weighted average exchange rates for the year. The balance sheets of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

In previous years, the profit and loss accounts and the cash flows of overseas subsidiaries were translated to Hong Kong dollars at the exchange rates at the balance sheet date. The change in the treatment of such items in the current year has, however, had no significant effect on these financial statements.

#### *Operating leases*

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

#### *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.

#### *Share option scheme*

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled or which lapse prior to their exercise date are deleted from the register of outstanding options and have no impact on the profit and loss account or balance sheet.

#### *Employment Ordinance long service payments*

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

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *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 as set out under the heading “Co-financing operations”. Interest income arising from loans and advances ceases to accrue when there are more than two and three overdue instalments for unsecured and secured loans, respectively;
- (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 has been 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 bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

### 4. 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.

#### *(a) By business segments*

The Group’s operating businesses are organised and managed separately, according to the nature of products and services provided, with each segment representing a strategic business unit that offers 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 dealer’s commission from referrals of taxi financing loans, and these transactions were entered into at similar terms and conditions as those contracted with third parties at the dates of the transactions.

## 4. SEGMENT INFORMATION (Continued)

## (a) By business segments (Continued)

The following tables represent revenue and profit information for these segments for the years ended 31 December 2002 and 2001, and certain asset and liability information regarding business segments as at 31 December 2002 and 2001.

	Personal and commercial lending		Taxi trading and related operations, and other businesses		Eliminated on consolidation		Total	Total
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>Segment revenue</b>								
Net interest income	771,160	838,777	-	322	-	-	771,160	839,099
Other operating income:								
Fees and commission income	147,627	170,364	6,558	12,508	-	-	154,185	182,872
Others	4,761	1,031	9,012	15,871	-	-	13,773	16,902
Inter-segment transactions	-	-	7,147	11,684	(7,147)	(11,684)	-	-
	923,548	1,010,172	22,717	40,385	(7,147)	(11,684)	939,118	1,038,873
<b>Segment results</b>	255,206	482,706	6,496	29,888	-	-	261,702	512,594
Gain on disposal of an associate							3,557	-
Share of results of associates							-	(5,932)
Profit before tax							265,259	506,662
Tax							(28,438)	(61,967)
Minority interests							517	(15,863)
Net profit from ordinary activities attributable to shareholders							237,338	428,832
Segment assets	5,210,030	4,681,439	125,754	133,967	-	-	5,335,784	4,815,406
Interest in an associate	-	-	-	-	-	-	-	-
<b>Total segment assets</b>	5,210,030	4,681,439	125,754	133,967	-	-	5,335,784	4,815,406
Unallocated assets							15,827	-
<b>Total assets</b>							5,351,611	4,815,406
Segment liabilities	1,799,693	1,259,901	46,146	67,903	-	-	1,845,839	1,327,804
Unallocated liabilities							13,631	15,522
<b>Total liabilities</b>							1,859,470	1,343,326
<b>Other segment information extracted from the profit and loss account and balance sheet</b>								
Capital expenditure	2,502	22,172	4	96	-	-	2,506	22,268
Amortisation of intangible assets	-	-	25	25	-	-	25	25
Amortisation and write off of commission expenses	3,287	347	-	-	-	-	3,287	347
Depreciation	9,739	9,459	120	242	-	-	9,859	9,701
Deficit / (surplus) on revaluation of investment properties	-	-	4,022	(2,806)	-	-	4,022	(2,806)
Provisions for bad and doubtful debts	477,213	312,770	-	-	-	-	477,213	312,770
(Write back)/provisions for other doubtful debts	(2,068)	13,176	-	-	-	-	(2,068)	13,176
Provision against amount due from an associate	-	7,339	-	-	-	-	-	7,339

## 4. SEGMENT INFORMATION (Continued)

### (b) By geographical segments

Over 90% of the Group's operating income, results, assets, liabilities, off-balance sheet commitments and exposures are derived from operations carried out in Hong Kong. Accordingly, further geographical segment information is not presented in the financial statements.

## 5. OTHER OPERATING INCOME

	Group	
	2002 HK\$'000	2001 HK\$'000
Fees and commission income	154,185	182,872
Gross rental income	5,283	5,238
Less: Outgoing expenses	(446)	(450)
Net rental income	4,837	4,788
Loss on disposal of fixed assets	(137)	(67)
Net profit from trading activities	5,573	4,753
Dividends from listed investments	266	266
Others	3,234	7,162
	<b>167,958</b>	<b>199,774</b>

Net profit from trading activities has been arrived at after netting off the cost of inventories sold in the amount of HK\$194,726,000 (2001: HK\$135,168,000).

## 6. OPERATING EXPENSES

	Group	
	2002 HK\$'000	2001 HK\$'000
Staff costs:		
Salaries and other staff costs	83,739	94,251
Pension contributions	6,449	6,421
Less: Forfeited contributions	(245)	(766)
Net pension contributions	6,204	5,655
	<b>89,943</b>	<b>99,906</b>
Other operating expenses:		
Operating lease rentals on land and buildings	20,697	20,417
Depreciation	9,859	9,701
Amortisation of intangible assets	25	25
Auditors' remuneration	1,742	1,848
Deficit / (surplus) on revaluation of investment properties	4,022	(2,806)
Amortisation and write off of commission expenses	3,287	347
Provision against amount due from an associate	-	7,339
(Write back) / provisions for other doubtful debts	(2,068)	13,176
Administrative and general expenses	15,775	15,892
Others	56,921	47,664
	<b>200,203</b>	<b>213,509</b>

As at 31 December 2002, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2001: Nil). The current year credits arose in respect of staff who left the scheme during the year.

## 7. LOANS AND ADVANCES

## (a) Advances to customers

	Group	
	2002 HK\$'000	2001 HK\$'000
Loans and advances to customers	3,466,228	3,675,770
Provisions for bad and doubtful debts (note 8):		
Specific	(123,151)	(128,687)
General	(208,271)	(205,622)
	<b>(331,422)</b>	<b>(334,309)</b>
	<b>3,134,806</b>	<b>3,341,461</b>

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	
	2002 HK\$'000	2001 HK\$'000
Repayable:		
On demand	51,352	41,685
Three months or less	680,971	686,973
One year or less but over three months	1,249,638	1,355,133
Five years or less but over one year	649,102	769,939
After five years	631,789	621,537
Undated	203,376	200,503
	<b>3,466,228</b>	<b>3,675,770</b>

## 7. LOANS AND ADVANCES (Continued)

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

	Group			
	2002		2001	
	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 three months on which interest has ceased to be accrued:				
Six months or less but over three months	96,980	2.8	57,375	1.6
One year or less but over six months	43,241	1.2	35,821	1.0
Over one year	56,133	1.6	134,212	3.6
	<b>196,354</b>	<b>5.6</b>	227,408	6.2
Taxi financing loans terminated and fully provided for	6,141	0.2	24,230	0.6
	<b>202,495</b>	<b>5.8</b>	251,638	6.8
Gross advances to customers which have been overdue for three months or less, but interest on which has ceased to be accrued	33,624	1.0	28,436	0.8
Total non-performing loans and advances	<b>236,119</b>	<b>6.8</b>	280,074	7.6
Specific provisions	(123,151)		(128,687)	
	<b>112,968</b>		151,387	

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

Under the Co-financing Arrangements, 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 2002 and at 31 December 2001, there were no taxi financing loans which were overdue for more than three months under the Group's gross advances to customers.

(c) *Rescheduled loans*

	Group			
	2002		2001	
	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 rescheduled	62,968	1.8	-	-

## 8. PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	Specific HK\$'000	Group General HK\$'000	Total HK\$'000
At 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)
At 31 December 2001 and 1 January 2002	128,687	205,622	334,309
Recoveries	12,091	–	12,091
Charge for the year	486,655	2,649	489,304
Amounts released	(12,091)	–	(12,091)
<i>Net charge to the profit and loss account</i>	474,564	2,649	477,213
Amounts written off	(492,191)	–	(492,191)
<b>At 31 December 2002</b>	<b>123,151</b>	<b>208,271</b>	<b>331,422</b>

## 9. DIRECTORS' REMUNERATION

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Fees:		
Executive	175	175
Non-executive	385	455
Independent non-executive	280	280
	840	910
Other emoluments:		
Basic salaries, housing, other allowances and benefits in kind	1,647	1,646
Bonuses paid and payable	631	684
Pension scheme contributions	182	182
	3,300	3,422

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\$540,000 (2001: HK\$720,000).



### 9. DIRECTORS' REMUNERATION (Continued)

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

	<b>2002</b> Number of directors	2001 Number of directors
Nil – HK\$1,000,000	<b>5</b>	5
HK\$1,000,001 – HK\$1,500,000	<b>2</b>	2
	<b>7</b>	7

### 10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included two (2001: two) directors, details of whose remuneration are set out in note 9 above. The details of the remuneration of remaining three (2001: three) non-directors, highest paid individuals are as follows:

	<b>Group</b>	
	<b>2002</b> HK\$'000	2001 HK\$'000
Basic salaries, housing, other allowances and benefits in kind	<b>1,799</b>	1,935
Bonuses paid and payable	<b>503</b>	468
Pension scheme contributions	<b>206</b>	177
	<b>2,508</b>	2,580

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

	<b>2002</b> Number of individuals	2001 Number of individuals
Nil – HK\$1,000,000	<b>2</b>	2
HK\$1,000,001 – HK\$1,500,000	<b>1</b>	1
	<b>3</b>	3

### 11. TAX

		<b>Group</b>	
	Notes	<b>2002</b> HK\$'000	2001 HK\$'000
Hong Kong – profits tax		<b>29,503</b>	62,967
Attributable share of estimated profits tax losses arising from investment in partnership, net of impairment of HK\$14,194,000	17	<b>(5,006)</b>	–
Deferred tax expense / (income)	30	<b>3,941</b>	(1,000)
		<b>28,438</b>	61,967

Hong Kong profits tax has been provided at the rate of 16% (2001: 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 (2001: Nil).

**12. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS**

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company was HK\$247,930,000 (2001: HK\$1,213,192,000).

**13. DIVIDENDS**

	<b>2002</b> <i>Cents per ordinary share</i>	2001	<b>2002</b> <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Interim	<b>4.5</b>	8.5	<b>32,005</b>	60,097
Proposed final	<b>13.5</b>	23.5	<b>95,547</b>	166,162
	<b>18.0</b>	32.0	<b>127,552</b>	226,259

**14. EARNINGS PER SHARE***(a) Basic earnings per share*

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$237,338,000 (2001: HK\$428,832,000) and the weighted average number of 707,661,541 (2001: 707,052,900) ordinary shares in issue during the year.

*(b) Diluted earnings per share*

The calculation of diluted earnings per share for the year ended 31 December 2002 and 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 nil dilutive effect on basic earnings per share.

**15. CASH AND SHORT TERM PLACEMENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2002</b> <i>HK\$'000</i>	2001 <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Cash and balances with banks and other financial institutions	<b>76,608</b>	79,775	<b>177</b>	67
Money at call and short notice	<b>1,368,004</b>	443,722	<b>648,275</b>	55,565
	<b>1,444,612</b>	523,497	<b>648,452</b>	55,632

The Group's money at call and short notice includes fixed deposits placed with the ultimate holding company of HK\$161,587,000 (2001: HK\$22,036,000).

In the prior year, certain of the Company's money at call and short notice, amounting to HK\$46,769,000, was deposited with JCG Finance.

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

The Group's placements with banks, amounting to HK\$5,000,000 (2001: HK\$5,000,000), were pledged to a bank for credit facilities of HK\$5,000,000 (2001: HK\$5,000,000) granted to the Group (*note 27*). The credit facilities were not utilised during the year (2001: Nil).

Certain of the Company's placements with financial institutions, amounting to HK\$479,706,000 (2001: HK\$1,031,121,000), were placed with JCG Finance.

The Group's placements with banks, amounting to HK\$123,368,000 (2001: Nil), were placed with the ultimate holding company.

In the prior year, the Group's placements with banks, amounting to HK\$300,000,000, were placed with a fellow subsidiary of the Company.

## 17. OTHER ASSETS

	Notes	Group		Company	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Inventories	18	<b>37,674</b>	18,300	–	–
Interest receivable		<b>89,291</b>	119,336	<b>1,432</b>	1,974
Tax recoverable		<b>15,827</b>	–	–	–
Other debtors, deposits and prepayments		<b>130,388</b>	129,690	<b>145</b>	145
Deferred expenditure		<b>5,984</b>	257	–	–
Intangible assets	23	<b>177</b>	202	–	–
		<b>279,341</b>	267,785	<b>1,577</b>	2,119

Other assets are shown net of provisions.

Included in other debtors, deposits and prepayments were HK\$89,147,000 (2001: HK\$98,505,000), which were secured by taxi licences, cash and a property. Full provision has been made for the unsecured portion.

Included in other debtors, deposits and prepayments was an investment in a partnership, net of impairment, of HK\$28,051,000 (2001: Nil).

Also, included in other debtors, deposits and prepayments were trade receivables of HK\$6,000 (2001: HK\$19,000). As the trade receivables were immaterial to the Group, the maturity profile thereof has not been disclosed. The Group allows an average credit of 90 days to its trade debtors.

Included in interest receivable was HK\$223,000 (2001: HK\$5,000) for deposits placed with the ultimate holding company.

## 18. INVENTORIES

Included in the inventories were taxi licences and taxi cabs amounting to HK\$37,674,000 (2001: HK\$18,300,000).

None of the inventories of the Group were carried at net realisable value as at the balance sheet date (2001: Nil).

## 19. LONG TERM INVESTMENT

	Group	
	2002 HK\$'000	2001 HK\$'000
At beginning of year	<b>9,540</b>	14,410
Movement in market value	<b>(1,651)</b>	(4,870)
Listed equity investment in Hong Kong, at market value	<b>7,889</b>	9,540

Long term investment represented 805,000 ordinary shares of HK\$1.00 each in Hong Kong Exchanges and Clearing Limited.

## 20. INVESTMENT PROPERTIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Balance at beginning of year	73,602	68,358
Transfer (to) / from land and buildings	(9,500)	2,438
Revaluation (deficit) / surplus	(4,022)	2,806
Balance at end of year	<b>60,080</b>	73,602

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

	Group
	2002 HK\$'000
At valuation:	
Medium term leases	37,080
Long term leases	23,000
	<b>60,080</b>

Investment properties with a carrying amount of HK\$64,102,000 were revalued on 16 December 2002 at HK\$60,080,000 by Chung Sen Surveyors Limited, an independent professional valuer, on an open market value based on their existing use. A revaluation deficit of HK\$4,022,000 on a portfolio basis, resulting from the above valuation, has been debited 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 34.

Certain of the above investment properties were pledged to secure banking facilities granted to the Group at the balance sheet date (note 27).

## 21. INTERESTS IN SUBSIDIARIES

	Company	
	2002 HK\$'000	2001 HK\$'000
Shares at cost:		
Listed:		
Hong Kong	584,366	572,212
Unlisted:	1,056,851	1,056,851
	<b>1,641,217</b>	1,629,063
Market value of listed shares	<b>210,388</b>	122,850

### 21. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the Company's subsidiaries are as follows:

Name	Nominal value of issued/ registered ordinary share capital HK\$	Percentage of equity attributable to the Company		Principal activities
		Direct	Indirect	
JCG Finance Company, Limited	258,800,000	100	–	Deposit-taking and finance
Funds Fit Limited	10,100,000	–	100	Investment holding
JCG Securities Limited	10,000,000	–	100	Stock and share broking
JCG Nominees Limited	10,000	–	100	Nominee services
Winton Holdings (Bermuda) Limited	47,186,323 <sup>(1)</sup>	70.8	–	Investment holding
Eternal Success Company Limited	20	–	70.8	Property holding
Winsure Company, Limited	1,600,000	–	68.6	Dormant
Winton (B.V.I.) Limited	61,773	–	70.8	Investment and property holding
Winton Financial Limited	4,000,010	–	70.8	Provision of financing for licensed public vehicles and provision of personal and short term loans
Winton Financial (Factoring) Limited	1,000,000	–	70.8	Provision of financing for licensed public vehicles
Winton Investment Company (China) Limited	1,000,000	–	70.8	Investment holding
Winton Motors, Limited	78,000	–	70.8	Trading of taxi cabs and taxi licences, and leasing of taxis
Winton Motors Trading Company Limited	2	–	70.8	Trading of taxi cabs and taxi licences, and leasing of taxis
Winton Trading Company Limited	20	–	70.8	Trading of taxi cabs and taxi licences, and leasing of taxis
Wu Shang Mei Winton (China) Investment Company Limited	100	–	63.7	Dormant

Note:

(1) Exclusive of convertible preference shares of HK\$87,022,512.

**21. INTERESTS IN SUBSIDIARIES (Continued)**

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

**22. INTEREST IN AN ASSOCIATE**

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net assets, other than goodwill	–	–

Particulars of the Group's associate are as follows:

Name	Business structure	Place of registration and operations	Percentage of equity attributable to the Group		Principal activities
			2002	2001	
ZKW Enterprise (Group) Co., Ltd., Zhuhai Special Economic Zone	Corporate	The People's Republic of China	28.3	30	Investment holding, general trading and automobile repairs centre

**23. INTANGIBLE ASSETS**

	Group	
	2002 HK\$'000	2001 HK\$'000
Cost:		
At beginning and end of year	252	252
Accumulated amortisation:		
At beginning of year	50	25
Provided during the year	25	25
Balance at end of year	75	50
Net book value at end of year	177	202

## 24. FIXED ASSETS

Group	Leasehold land and buildings HK\$'000	Leasehold improvements, furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or carrying amount:				
At 1 January 2002	311,790	74,394	2,642	388,826
Additions	–	2,381	125	2,506
Transfer from investment properties	9,500	–	–	9,500
Disposals	–	(1,638)	(21)	(1,659)
<b>At 31 December 2002</b>	<b>321,290</b>	<b>75,137</b>	<b>2,746</b>	<b>399,173</b>
Accumulated depreciation:				
At 1 January 2002	27,617	64,805	1,883	94,305
Provided during the year	4,805	4,759	295	9,859
Disposals	–	(1,485)	(21)	(1,506)
<b>At 31 December 2002</b>	<b>32,422</b>	<b>68,079</b>	<b>2,157</b>	<b>102,658</b>
Net book value:				
<b>At 31 December 2002</b>	<b>288,868</b>	<b>7,058</b>	<b>589</b>	<b>296,515</b>
At 31 December 2001	284,173	9,589	759	294,521

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

	Group 2002 HK\$'000
At cost:	
Medium term leases	108,839
Long term leases	212,451
	<b>321,290</b>

Certain of the above leasehold land and buildings were pledged to secure banking facilities granted to the Group (note 27).

## 25. LOANS TO DIRECTORS AND OFFICERS

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Aggregate amount of principal and interest outstanding at end of year	2,317	3,556
Maximum aggregate amount of principal and interest outstanding during the year	3,556	3,926

## 26. CUSTOMER DEPOSITS

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Repayable:		
On demand	6,420	9,243
Three months or less	1,340,982	829,852
One year or less but over three months	330,239	194,451
Five years or less but over one year	96,695	–
	<b>1,774,336</b>	<b>1,033,546</b>

All the customer deposits were time deposits repayable at maturity dates.

## 27. INTEREST-BEARING BANK BORROWINGS

	Group	
	2002 HK\$'000	2001 HK\$'000
Unsecured loans from a fellow subsidiary repayable in the second year	–	200,000

The bank loans obtained in prior year were from a fellow subsidiary which is a bank, and were unsecured, interest bearing at Hong Kong prevailing market rates and were repayable after one year.

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

- (i) A placement with a bank amounting to HK\$5,000,000 (2001: HK\$5,000,000) (note 16). The facility had not been utilised during the year;
- (ii) A first legal charge on certain leasehold land and buildings of the Group with an aggregate carrying amount of approximately HK\$45,618,000 (2001: HK\$47,979,000) (note 24); and
- (iii) A first legal charge on certain investment properties of the Group situated in Hong Kong with an aggregate carrying amount of HK\$23,000,000 (2001: HK\$28,760,000) (note 20).

## 28. OTHER LIABILITIES

	Notes	Group		Company	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Creditors, accruals and interest payable		66,854	89,639	438	446
Amount due to the ultimate holding company		38	44	–	–
Tax payable		–	5,832	169	169
Provision for long service payments	29	4,611	4,575	–	–
Deferred tax	30	13,631	9,690	–	–
		<b>85,134</b>	<b>109,780</b>	<b>607</b>	<b>615</b>



### 28. OTHER LIABILITIES (Continued)

In the prior year, included in creditors, accruals and interest payable was interest payable of HK\$50,000 for a long term loan from a fellow subsidiary.

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

### 29. PROVISION FOR LONG SERVICE PAYMENTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Balance at beginning of year	4,575	6,819
Movement during the year	36	(2,244)
Balance at end of year	<b>4,611</b>	4,575

### 30. DEFERRED TAX

	Group	
	2002 HK\$'000	2001 HK\$'000
Balance at beginning of year	9,690	10,690
Expense / (income) for the year (note 11)	3,941	(1,000)
Balance at end of year	<b>13,631</b>	9,690

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

	Provided		Unprovided	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Commission expenses claimed over amount amortised and interest receivable	12,830	9,690	-	-
Tax benefit arising from investment in partnership	801	-	-	-
Unutilised tax losses	-	-	(38,053)	(100,000)
	<b>13,631</b>	9,690	<b>(38,053)</b>	(100,000)

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.

## 31. SHARE CAPITAL

	2002 HK\$'000	2001 HK\$'000
<b>Ordinary shares</b>		
Authorised:		
1,000,000,000 (2001: 1,000,000,000) ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
707,758,412 (2001: 707,074,412) ordinary shares of HK\$0.10 each	70,776	70,707

**Share option schemes**

The particulars in relation to each share option scheme of the Company or any of its subsidiaries that are required under Rules 17.07 to 17.09 of Chapter 17 of the Listing Rules and SSAP 34 are disclosed below:

*(a) JCG Old Scheme*

	Tan Yoke Kong Director	Lee Huat Oon Director	Employees working under "continuous contracts" other than the directors
Outstanding options at beginning of the year	150,000	136,000	20,738,000
No. of options granted during the year	–	–	–
No. of options exercised during the year	150,000	136,000	398,000
No. of options cancelled during the year	–	–	306,000
No. of options lapsed during the year	–	–	20,034,000
Outstanding options at end of the year	–	–	–
Date of grant	20.6.1997	20.6.1997	20.6.1997
Vesting period	20.6.1997 to 4.7.1999	20.6.1997 to 4.7.1999	20.6.1997 to 4.7.1999
Exercisable period	50% : 5.7.1999 to 4.7.2002 50% : 5.7.2000 to 4.7.2002	50% : 5.7.1999 to 4.7.2002 50% : 5.7.2000 to 4.7.2002	50% : 5.7.1999 to 4.7.2002 50% : 5.7.2000 to 4.7.2002
Exercise price	HK\$4.77	HK\$4.77	HK\$4.77
Weighted average closing price of ordinary shares immediately before dates of exercise	HK\$5.20	HK\$5.20	HK\$5.17

### 31. SHARE CAPITAL (Continued)

#### (b) JCG New Scheme

During the year, no options to subscribe for ordinary shares in the Company have been granted to any eligible participants, including directors or their respective associates or employees of the Group, its holding company or any of its subsidiaries and associates under the JCG New Scheme.

#### (c) Share option schemes of Winton

Winton's old share option scheme which was adopted on 24 July 1992 ("Winton Old Scheme") was terminated and replaced by a new share option scheme at the annual general meeting held on 28 February 2002 ("Winton New Scheme"). During the year, no options to subscribe for ordinary shares in Winton had/have been granted to any eligible participants, including directors or their respective associates or employees of Winton or any of its holding companies, subsidiaries and associates, either under the Winton Old Scheme or the Winton New Scheme.

#### (d) Summary of each share option scheme under the Group

	(1) JCG Old Scheme	(2) JCG New Scheme
Purpose	To attract, retain and motivate high-calibre employees.	To attract, retain and motivate talented eligible participants.
Participants	Full-time employees (including full-time executive directors) of the Company or any subsidiary.	Eligible participants include: <ul style="list-style-type: none"> <li>(i) any employee and directors of the Company or any subsidiary or any associate or controlling shareholder;</li> <li>(ii) any discretionary trust whose discretionary objects include person(s) belonging to the aforesaid participants;</li> <li>(iii) a company beneficially owned by person(s) belonging to the aforesaid participants; and</li> <li>(iv) any business partner, agent, consultant, representative, customer or supplier of any member of the Group or controlling shareholder determined by the Board of Directors as having contributed or may contribute to the development and growth of the Group.</li> </ul>
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of the annual report	Not applicable	70,775,841 ordinary shares and 10.0% of the issued share capital.

## 31. SHARE CAPITAL (Continued)

(d) Summary of each share option scheme under the Group (Continued)

	(1) JCG Old Scheme	(2) JCG New Scheme
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>	The maximum number of ordinary shares shall not exceed 1% of the issued ordinary share capital of the Company in issue in any 12-month period.
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 2 years or later than 5 years after the commencement date on which the option was granted and accepted.
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.	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.
Amount payable on acceptance	HK\$1.00	HK\$1.00
Period within which payments/calls/loans must be made/repaid	Not applicable	Not applicable
Basis of determining the exercise price	<p>Determined by the directors at their discretion based on the higher of:</p> <p>(i) 80% of the average closing prices of the ordinary shares on the Stock Exchange on the 5 trading days immediately preceding the offer date; and</p> <p>(ii) the nominal value of an ordinary share.</p>	<p>Determined by the directors at their discretion based on the higher of:</p> <p>(i) the closing price of the ordinary shares on the Stock Exchange at the offer date;</p> <p>(ii) the average closing price of the ordinary shares on the Stock Exchange for 5 business days immediately preceding the offer date; and</p> <p>(iii) the nominal value of an ordinary share.</p>
The remaining life of the scheme	The scheme was terminated on 28 February 2002.	The scheme remains in force until 27 February 2012.

### 31. SHARE CAPITAL (Continued)

#### (d) Summary of each share option scheme under the Group (Continued)

	<b>(3) Winton Old Scheme</b>	<b>(4) Winton New Scheme</b>
Purpose	To attract, retain and motivate high-calibre employees.	To attract, retain and motivate talented eligible participants.
Participants	Full-time employees (including executive directors) of Winton or any subsidiary.	Eligible participants include: <ul style="list-style-type: none"> <li>(i) any employee and directors of Winton or any subsidiary or any associate or controlling shareholder;</li> <li>(ii) any discretionary trust whose discretionary objects include person(s) belonging to the aforesaid participants;</li> <li>(iii) a company beneficially owned by person(s) belonging to the aforesaid participants; and</li> <li>(iv) any business partner, agent, consultant, representative, customer or supplier of any member of the Winton Group or controlling shareholder determined by Winton's Board of Directors as having contributed or may contribute to the development and growth of the Winton Group.</li> </ul>
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of annual report	Not applicable	42,000,000 ordinary shares and 8.9% of the issued share capital.
Maximum entitlement of each participant	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 maximum number of ordinary shares shall not exceed 1% of the issued ordinary share capital of Winton in issue in any 12-month period.

**31. SHARE CAPITAL (Continued)***(d) Summary of each share option scheme under the Group (Continued)*

	<b>(3) Winton Old Scheme</b>	<b>(4) Winton New Scheme</b>
Period within which the ordinary shares must be taken up under an option	No option will be exercisable earlier than 1 year or later than 10 years after its date of grant.	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.
Minimum period for which an option must be held before it can be exercised	1 year from date of grant.	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.
Amount payable on acceptance	HK\$1.00	HK\$1.00
Period within which payments/calls/loans must be made/repaid	Not applicable	Not applicable
Basis of determining the exercise price	Determined by the Winton's 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 5 trading days immediately preceding the offer date; and (ii) the nominal value of an ordinary share.	Determined by the Winton's directors at their discretion based on the higher of: (i) the closing price of the ordinary shares on the Stock Exchange at the offer date; (ii) the average closing price of the ordinary shares on the Stock Exchange for 5 business days immediately preceding the offer date; and (iii) the nominal value of an ordinary share.
The remaining life of the scheme	The scheme was terminated on 28 February 2002.	The scheme remains in force until 27 February 2012.

Since there were no share options granted under each of the share option schemes of the Group during the year, therefore, no value of share options granted has been disclosed accordingly.

## Notes to Financial Statements

### 32. RESERVES

Group	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
At 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 19)	-	-	-	-	-	(4,870)	-	(4,870)
Interim dividend for 2001 (note 13)	-	-	-	-	-	-	(60,097)	(60,097)
Profit for the year	-	-	-	-	-	-	428,832	428,832
Proposed final dividend for 2001 (note 13)	-	-	-	-	-	-	(166,162)	(166,162)
At 31 December 2001 and 1 January 2002	1,206,400	829	96,116	85,567	428	9,277	1,630,884	3,029,501
Premium arising on share options exercised	3,193	-	-	-	-	-	-	3,193
Movement in the market value (note 19)	-	-	-	-	-	(1,651)	-	(1,651)
Loss on diluted shareholding of a subsidiary, net of gain on redemption of minority interests	-	-	-	(30,534)	-	-	-	(30,534)
Interim dividend for 2002 (note 13)	-	-	-	-	-	-	(32,005)	(32,005)
Profit for the year	-	-	-	-	-	-	237,338	237,338
Proposed final dividend for 2002 (note 13)	-	-	-	-	-	-	(95,547)	(95,547)
<b>At 31 December 2002</b>	<b>1,209,593</b>	<b>829</b>	<b>96,116</b>	<b>55,033</b>	<b>428</b>	<b>7,626</b>	<b>1,740,670</b>	<b>3,110,295</b>
Reserves retained by:								
Company and subsidiaries	1,209,593	829	96,116	55,033	-	7,626	1,740,670	3,109,867
Associates	-	-	-	-	428	-	-	428
<b>At 31 December 2002</b>	<b>1,209,593</b>	<b>829</b>	<b>96,116</b>	<b>55,033</b>	<b>428</b>	<b>7,626</b>	<b>1,740,670</b>	<b>3,110,295</b>
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)
At 31 December 2001	1,206,400	829	96,116	85,567	428	9,277	1,630,884	3,029,501

## 32. RESERVES (Continued)

Company	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
At 1 January 2001	1,206,157	829	194,524	-	-	-	91,765	1,493,275
Premium arising on share options exercised	243	-	-	-	-	-	-	243
Interim dividend for 2001 (note 13)	-	-	-	-	-	-	(60,097)	(60,097)
Profit for the year	-	-	-	-	-	-	1,213,192	1,213,192
Proposed final dividend for 2001 (note 13)	-	-	-	-	-	-	(166,162)	(166,162)
At 31 December 2001 and 1 January 2002	1,206,400	829	194,524	-	-	-	1,078,698	2,480,451
Premium arising on share options exercised	3,193	-	-	-	-	-	-	3,193
Interim dividend for 2002 (note 13)	-	-	-	-	-	-	(32,005)	(32,005)
Profit for the year	-	-	-	-	-	-	247,930	247,930
Proposed final dividend for 2002 (note 13)	-	-	-	-	-	-	(95,547)	(95,547)
<b>At 31 December 2002</b>	<b>1,209,593</b>	<b>829</b>	<b>194,524</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,199,076</b>	<b>2,604,022</b>

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

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

Included in the contributed surplus and capital reserve of the Group as at 31 December 2002 were positive goodwill of HK\$98,406,000 (2001: HK\$98,406,000) and negative goodwill of HK\$55,033,000 (2001: HK\$85,567,000), respectively, which arose from acquisitions of subsidiaries in prior years. The reduction in the capital reserve during the year arose due to the temporary dilution in interests in Winton Group as further explained below.

The privatisation scheme of Winton via a scheme of arrangement and withdrawal of its listing, which was proposed on 3 December 2002, had not been completed in 2002. The privatisation scheme has been scheduled for approval by its independent shareholders in February 2003. As a result, a net loss of HK\$30,534,000 arising from the temporary dilution of the Group's shareholding in Winton Group together with any gains arising on completion of the said privatisation scheme will be accounted for as negative goodwill in the first half of 2003.



### 33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before tax to net cash flows from operating activities is set out below:

	Group	
	2002 HK\$'000	2001 HK\$'000
Profit before tax	265,259	506,662
Depreciation	9,859	9,701
Loss on disposal of fixed assets	137	67
Loss on purchase of additional interests in a subsidiary	462	–
Decrease in provisions for bad and doubtful debts	(2,887)	(4,552)
Dividends from listed investments	(266)	(266)
Amortisation of intangible assets	25	25
Amortisation and write off of commission expenses	3,287	347
Provision against amount due from an associate	–	7,339
Gain on disposal of an associate	(3,557)	–
Share of results of associates	–	5,932
Deficit / (surplus) on revaluation of investment properties	4,022	(2,806)
Decrease in other debtors, deposits, prepayments and interest receivable	29,347	199,693
Decrease in creditors, accruals and interest payable	(22,785)	(15,455)
Increase / (decrease) in provision for long service payments	36	(2,244)
Increase in amount due from an associate	–	(59)
Decrease in amount due to the ultimate holding company	(6)	–
(Increase) / decrease in inventories	(19,374)	6,640
(Increase) / decrease in deferred expenditure	(9,014)	1,928
Decrease in interest-bearing bank borrowings	(200,000)	(564,872)
Hong Kong profits tax paid	(46,156)	(90,235)
Net cash from trading activities	8,389	57,845
Increase / (decrease) in customer deposits	740,790	(285,272)
Decrease in loans and advances	209,542	436,076
Net cash flows from operating activities	958,721	208,649

### 34. 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.

As at 31 December 2002, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	4,431	4,337
In the second to fifth years, inclusive	2,907	3,300
	7,338	7,637

**34. OPERATING LEASE ARRANGEMENTS (Continued)**

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

As at 31 December 2002, the Group had total future minimum lease rental payables under non-cancellable operating leases falling due as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	16,493	17,519
In the second to fifth years, inclusive	10,214	9,004
	<b>26,707</b>	<b>26,523</b>

**35. COMMITMENTS**

	Group	
	2002 HK\$'000	2001 HK\$'000
Capital commitments:		
Contracted for, but not provided in the financial statements:		
Purchases of fixed assets	–	–
Others	125	113
	<b>125</b>	<b>113</b>

The Company had no material outstanding commitments at the balance sheet date (2001: Nil).

**36. UNDRAWN LOAN FACILITIES**

The undrawn loan facilities related to customers of JCG Finance.

	Group			
	2002		2001	
	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	29,112	–	36,130	–

Undrawn loan facilities of HK\$20,000,000 (2001: HK\$20,000,000) were granted to JCG Securities Limited.

During the year, no derivative activities were transacted (2001: Nil).

## 37. CONTINGENT LIABILITIES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guarantees under the Co-financing Arrangements given to:				
Ultimate holding company	770	770	-	-
Other co-financing banks	-	898	-	-
	<b>770</b>	1,668	-	-
Letter of undertaking in respect of the surplus sale proceeds of taxi licences and cabs received from banks	2,047	2,047	-	-
	<b>2,817</b>	3,715	-	-

## 38. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with related parties during the year, which were carried out on essentially the same terms and/or at prevailing market rates with other customers or suppliers:

	Notes	Group	
		2002 HK\$'000	2001 HK\$'000
Commission income received from the ultimate holding company for referrals of taxi financing loans	(a)	9,596	1,646
Interest paid to a fellow subsidiary for unsecured revolving credit facilities	(b)	1,084	29,088
Interest income from a fellow subsidiary	(b)	1,435	12,214
Interest income from the ultimate holding company	(c)	3,138	41
Rental income received from the ultimate holding company	(d)	762	836
Management fees received from the ultimate holding company	(e)	198	229
Provision against amount due from an associate	(f)	-	7,339

(a) The commission income of HK\$9,596,000 (2001: HK\$1,646,000) received from referrals of floating rate taxi financing loans to Public Bank was determined based on market practice.

(b) The unsecured revolving loan facilities for an aggregate amount of HK\$800,000,000 (2001: HK\$800,000,000) granted by PBL to a subsidiary of the Company were utilised to the extent of HK\$200,000,000 during the year and were fully repaid before the maturity dates (2001: up to HK\$749,414,000 and as at 31 December 2001: HK\$200,000,000). The interest rates charged on the loan facilities were based on prevailing market rates (note 27).

In the prior year, the Group's placements with banks, amounting to HK\$300,000,000, were placed with a fellow subsidiary of the Company at the balance sheet date (note 16).

**38. RELATED PARTY TRANSACTIONS (Continued)**

- (c) The interest income was received from fixed deposits placed with Public Bank at the then prevailing market rates.
- (d) 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 two years commencing on 1 August 2002 at a monthly rental of HK\$19,000; and
  - (ii) Public Bank as its office. The related lease arrangement was renewed on 1 August 2002 for a term of two years at a monthly rental of HK\$35,775.
- (e) 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.
- (f) In the prior year, full provision was made for estimated losses on an amount due from an associate, the recoverability of which was doubtful.

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

**39. COMPARATIVE FIGURES**

As further explained in note 2, due to the adoption of new/revised SSAPs during the current year, the presentation of the financial statements 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.

**40. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Board of Directors on 22 January 2003.

### Advances to customers by industry sectors and basis of classification

	Gross advances to customers	
	2002 HK\$'000	2001 HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial:		
– Property development	12,715	14,772
– Property investment	50,287	67,469
– Wholesale and retail trade	246	3,137
– Manufacturing	2,303	2,710
– Licensed public vehicles	723,784	676,130
– Others	5,508	21,020
Individuals:		
– Loans for the purchase of residential properties	44,803	68,521
– Credit card advances	6,560	9,512
– Others	2,530,358	2,719,411
Loans for use outside Hong Kong	89,664	93,088
	<b>3,466,228</b>	<b>3,675,770</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.

### Corporate governance

JCG Finance, a major subsidiary of the Company, is a deposit taking company incorporated in Hong Kong and under the supervision of the HKMA. Its Board of Directors is fully committed to ensuring that the principles and best practices in corporate governance as set out in the guidelines on “Corporate Governance of Locally Incorporated Authorised Institutions” issued by the HKMA are applied in JCG Finance. Accordingly, JCG Finance has set up specialised committees with clear terms of reference and specific authorities delegated by its Board of Directors.

#### Executive Committee

The Executive Committee is responsible for the management of the business of JCG Finance in all aspects and implementation of strategic business plans and policies approved and formulated by the Board of Directors. The members of the Executive Committee comprise of any director.

#### Management Committee

The Management Committee is responsible for the management of the daily operations of JCG Finance in all aspects of its business. The members of the Management Committee comprise of General Manager, Deputy General Manager, Assistant General Managers, Head of Credit, Financial Controller, Senior Managers and Zone Managers.

### Corporate governance (Continued)

#### *Finance Committee*

The Finance Committee assists the Board of Directors in the financial planning and budgeting process of the business of JCG Finance and the review of the statutory and half year audited accounts. The members of the Finance Committee comprise of General Manager, Deputy General Manager, Assistant General Managers, Head of Credit and Financial Controller.

#### *Credit Committee*

The Credit Committee is responsible for making decisions on applications for all types of loan facilities within its discretionary powers, assisting the Board of Directors in formulating policy guidelines for JCG Finance's lending business, and recommending applications for loan facilities exceeding the discretionary powers of the Credit Committee to the Board of Directors for approval. The members of the Credit Committee comprise of General Manager, Deputy General Manager, Assistant General Managers and Head of Credit.

#### *Assets and Liabilities Committee*

The Assets and Liabilities Committee reviews and assesses the risk profile and capital structure of JCG Finance, sets the objectives for the asset and liability management function and implements the risk management policies adopted by the Board of Directors. The members of the Assets and Liabilities Committee comprise of General Manager, Deputy General Manager, Assistant General Managers, Head of Credit and Financial Controller.

#### *Information Technology Committee*

The Information Technology Committee is responsible for establishing objectives, policies and strategies for the computerisation of the Group, recommending to the Board of Directors on major acquisitions of computer hardware and software, and monitoring the progress of the implementation of all information technology related projects. The members of the Information Technology Committee comprise of General Manager, Deputy General Manager, IT Controller and Financial Controller.

#### *Human Resources Committee*

The Human Resources Committee assists the Board of Directors in formulating and implementing human resource policies including staff recruitment and promotion, and career development, performance appraisal and remuneration of all staff. The members of the Human Resources Committee comprise of General Manager, Deputy General Manager, Assistant General Managers, Head of Credit and Personnel Manager.

#### *Audit Committee*

The Audit Committee was established by the Company to provide an independent review of the effectiveness of the financial reporting process and internal control system of the Group and to make recommendations to the Board of Directors. The members of the Audit Committee shall be appointed by the Board of Directors from amongst the non-executive directors of the Company and shall consist of not less than two members. The majority of the Audit Committee members shall comprise of independent non-executive directors. The present members comprise of Dato' Yeoh Chin Kee (Chairman of the Audit Committee), Mr. Geh Cheng Hooi, Paul and Datuk Tay Ah Lek. Three 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 2002.

### Qualitative information on the management of risks

The respective Boards of Directors of the subsidiaries are responsible for oversight of risks and approval of risk management policies. The Internal Audit Department of JCG Finance performs regular audits to ensure compliance with the policies and reports directly to the Audit Committee of the respective companies.

#### *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 monitoring of asset quality and the formulation of credit policies and management of credit risk through reviews of regular reports on credit exposures, which include exposure limits and the level of bad debt provisions. The approval of loan transactions is delegated to the Credit Committee members and/or authorised zone and branch managers subject to the set limits. 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.

The directors and the senior management of the 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. The Winton Group maintains a system of controls over loan assessments and approvals, and will continue to pursue a conservative and prudent policy in granting loans.

#### *Market risk*

Market risk is the risk associated with changes in interest rates, foreign exchange rates, equity prices, 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.

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. The Assets and Liabilities Committee meets at least quarterly to review the balance sheet structure, interest rate risk management, liquidity management, and capital structure, allocation and planning. It evaluates the impact of alternative asset and liability management strategies, identifies the types of risks inherent in JCG Finance and assesses the vulnerability of its net interest income to these risks. The latest development in interest rates and foreign exchange rate movements, fiscal and monetary policies will be brought to the attention of the Board of Directors.

During the year, JCG Finance did not trade in any market risk including currency risk related financial instruments. The market risk including currency risk exposure of JCG Finance arising from both on and off balance sheet activities was considered immaterial. Accordingly, quantitative market risk including currency risk information is not disclosed.

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

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

### 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 Finance Committee of JCG Finance monitors its liquidity position as part of its ongoing assets and liabilities management, and sets up trigger limits to monitor its liquidity risk. The balance between liquidity and profitability is carefully considered. The Accounts Department is responsible for the management of daily treasury operations.

The Accounts Department of Winton Group manages its treasury operations to ensure availability of funds to grow loans and to meet contractual financial commitments.

### 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. It adopts a prudent policy in capital management and manages its deposits in line with its loan growth.

The Winton Group relies on its internally generated capital, placements with financial institutions as well as bank borrowings for its 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

	<b>2002 Unadjusted ratio</b>	2001 Unadjusted ratio
Capital adequacy ratio as at 31 December	<b>38.96%</b>	37.74%
Average liquidity ratio for the year	<b>127.17%</b>	170.12%

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

	<b>2002 HK\$'000</b>	2001 HK\$'000
Core capital:		
Paid up ordinary share capital	<b>258,800</b>	258,800
Share premium account	<b>412,238</b>	412,238
Reserves (eligible for inclusion in core capital)	<b>557,420</b>	558,849
	<b>1,228,458</b>	1,229,887
Eligible supplementary capital:		
Reserve on revaluation of securities not held for trading purposes	<b>5,338</b>	6,494
General provisions for doubtful debts	<b>42,634</b>	44,056
	<b>47,972</b>	50,550
Total capital base before deductions	<b>1,276,430</b>	1,280,437
Deductions from total capital base	<b>(10)</b>	(10)
Total capital base after deductions	<b>1,276,420</b>	1,280,427



### Capital adequacy and liquidity ratios (Continued)

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

The adjusted capital adequacy ratio is not disclosed herein as the market risk arising from JCG Finance's trading book is regarded as immaterial. JCG Finance meets all of the de minimis exemption criteria for reporting market risk as set out in "Maintenance of Adequate Capital Against Market Risk" under the Supervisory Policy Manual issued by the 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.