



JCG Holdings Limited



Annual Report
2003



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Corporate Information

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

Deacons

Principal Bankers

Bank of China (Hong Kong) Limited

Bumiputra-Commerce Bank Berhad

Citic Ka Wah Bank Limited

DBS Bank Ltd

Industrial and Commercial Bank of China (Asia) Limited

Oversea-Chinese Banking Corporation Limited

Public Bank Berhad

Scotiabank (Hong Kong) Limited

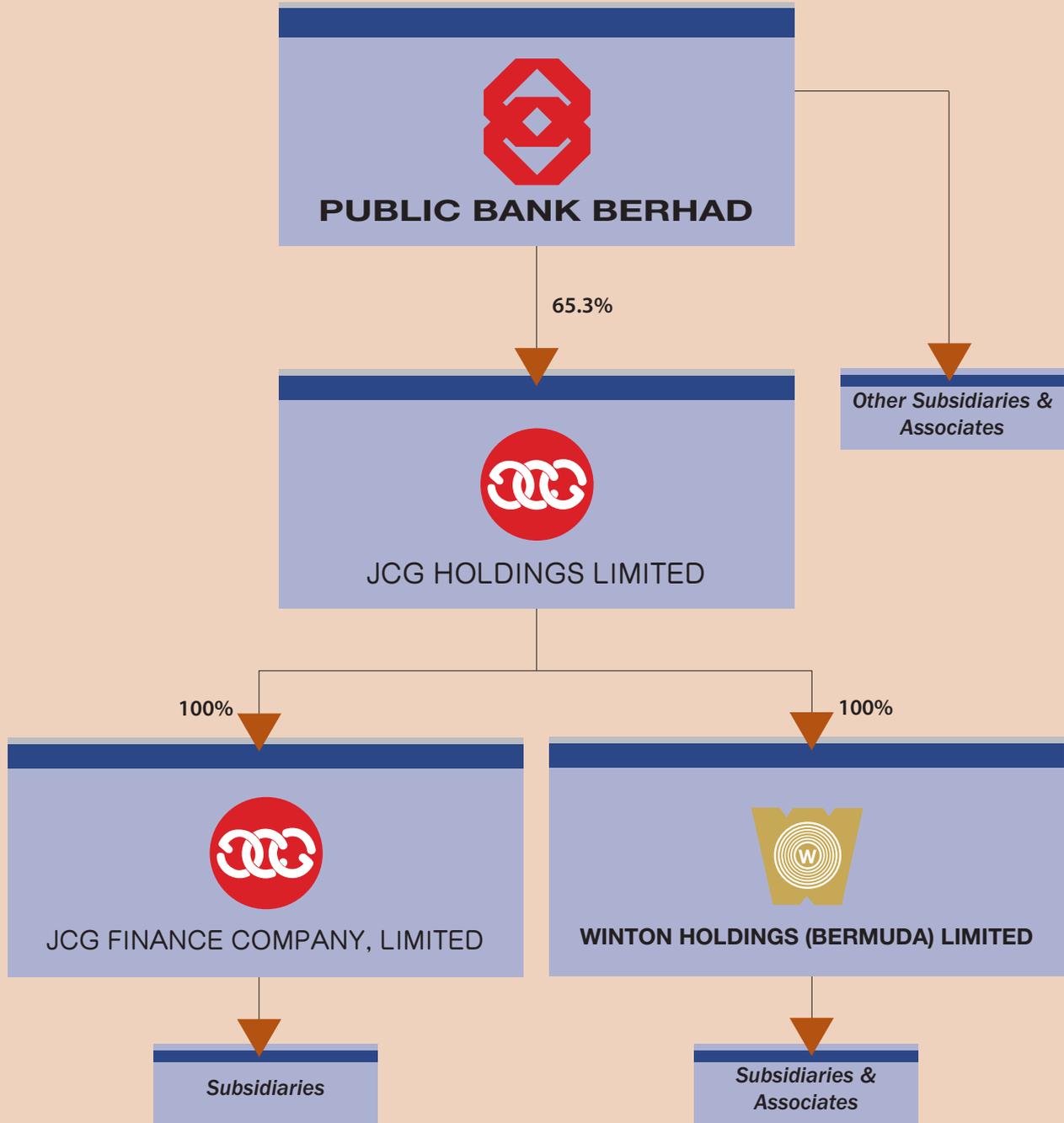
Standard Chartered Bank

The Hongkong and Shanghai Banking Corporation Limited



Group Structure

31 December 2003





JCG Finance Company, Limited – Branch Network





JCG Finance Company, Limited – Branch Network

Hong Kong Island

- 1 Landmark Branch**
Room 1905, Gloucester Tower
The Landmark, Central
Tel: 25224067 Fax: 25373623
Manager: Rodriguez Lolita H
- 2 Queen's Road Central Branch**
1/F, Parker House
72 Queen's Road Central
Tel: 25266415 Fax: 28779088
Manager: Wong Kai Ip Jimmy
- 3 Central Branch**
M/F, Chung Nam House
59 Des Voeux Road Central
Tel: 25248676 Fax: 28779084
Manager: Leung Kwok Fai Eric
- 4 Wing On House Branch**
Room 1109-10, Wing On House
71 Des Voeux Road Central
Tel: 28683211 Fax: 25372909
Manager: Villareal Ma Aurora B
- 5 Wanchai Branch**
G/F, 170 Hennessy Road
Tel: 25746245 Fax: 28936653
Manager: Tong Woon Shing
- 6 Tin Lok Lane Branch**
G/F, Foo Tak Building
365 Hennessy Road
Tel: 28917028 Fax: 28933769
Manager: Ho Sau Yan
- 7 Causeway Bay Branch**
1/F, Coasia Building
496-498 Lockhart Road
Tel: 28936575 Fax: 28932770
Manager: Lau Kan So Ivan
- 8 North Point Branch**
Shop No.1, G/F, Wah Hing Building
449-455 King's Road
Tel: 25610160 Fax: 28563647
Manager: Louie Kin Cheong Daniel
- 9 Shaukeiwan Branch**
G/F, 134 Shaukeiwan Road
Tel: 25670461 Fax: 28858501
Manager: Chan Siu Sung Jeffery
- 10 Shek Tong Tsui Branch**
Shop G1, Hong Kong Plaza
188 Connaught Road West
Tel: 28176125 Fax: 28177618
Manager: Li Wai Yin
- 11 Western District Branch**
G/F, 161 Des Voeux Road West
Tel: 25479148 Fax: 25461142
Manager: Wu Kin Sang Wilson
- 12 Aberdeen Branch**
Shop A, G/F, Kong Kai Building
184-188 Aberdeen Main Road
Tel: 25538231 Fax: 25543897
Manager: Ng Siu Kwan Arthur
- 13 Chai Wan Branch**
G/F, Flat B, 77 Walton Estate
341-343 Chai Wan Road
Tel: 25578003 Fax: 25574088
Manager: Kam Ying Wah
- 14 Quarry Bay Branch**
G/F, 14 Hoi Kwong Street
Tel: 25166368 Fax: 25790084
Manager: Man Wing Sun Ethan

Kowloon

- 15 Star House Branch**
Basement, Shop B9 & B10
Star House Plaza, TST
Tel: 27308395 Fax: 27302346
Manager: Ho Mei Yu Denise
- 16 Tsimshatsui Branch**
Shop No. 51-53
1/F, Harbour Crystal Centre
100 Granville Road, TST East
Tel: 23693236 Fax: 23110433
Manager: Lai Chung Wai Danny
- 17 Jordan Road Branch**
Shop B, G/F, Dao Hing Building
34 Jordan Road
Tel: 27364711 Fax: 23148432
Manager: Ho Kwok Sin Tom
- 18 Nathan Road Branch**
G/F, 480 Nathan Road
Tel: 27715285 Fax: 27704127
Manager: Leung Kwok Chung Solomon
- 19 Mongkok Branch**
G/F, JCG Building
16 Mongkok Road
Tel: 23940253 Fax: 27875630
Manager: Cheng Ho Fat Ricky
- 20 Shamshuiipo Branch**
G/F, Shop B, Wing Sing Building
27 Castle Peak Road
Tel: 27282347 Fax: 27299685
Manager: Ho Kam Ming
- 21 Cheung Sha Wan Branch**
Unit 105, 1/F
Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Tel: 27445416 Fax: 27853634
Manager: Yuen Chuk Kwan Raymond
- 22 Hunghom Branch**
G/F, 130 Ma Tau Wai Road
Tel: 23344307 Fax: 27644876
Manager: Cheung Chu Ming Albert
- 23 Sanpokong Branch**
G/F, 92 Shung Ling Street
Tel: 23283175 Fax: 23254504
Manager: Wong Chun Pui Paul
- 24 Kowloon City Branch**
G/F, 31 Lion Rock Road
Tel: 23824893 Fax: 27164819
Manager: Kwan Wai Choi Samuel
- 25 Tokwawan Branch**
Shop 9 & 10, G/F
Chong Chien Court
355 Tokwawan Road
Tel: 23657061 Fax: 27642832
Manager: Miu Ka Lok Patrick
- 26 Kwun Tong Branch**
G/F, 367 Ngau Tau Kok Road
Tel: 23440264 Fax: 27635427
Manager: Cheng Man Kwong Ringo
- 27 Wong Tai Sin Branch**
G/F, 89 Fung Tak Road
Tel: 23205112 Fax: 27260106
Manager: Ng Chung Tak
- 28 Prince Edward Branch**
G/F, 751 Nathan Road
Tel: 23803260 Fax: 23804100
Manager: Li Kit Shing Joe
- 29 Ngau Tau Kok Branch**
Shop 29, G/F, Block A
Wang Kwong House
33 Ngau Tau Kok Road
Tel: 27578299 Fax: 27578737
Manager: Lam Kwan Chee Evans
- 30 Kowloon Bay Branch**
Unit 2B, G/F
Fook Hong Industrial Building
19 Sheung Yuet Road
Tel: 27567320 Fax: 27585706
Manager: Tong Ka Ling Tony
- 31 Tseung Kwan O Branch**
Shop G29, G/F
Metro City Plaza, Phase II
Tel: 31944312 Fax: 31944377
Manager: Ho Wai Ming Ian

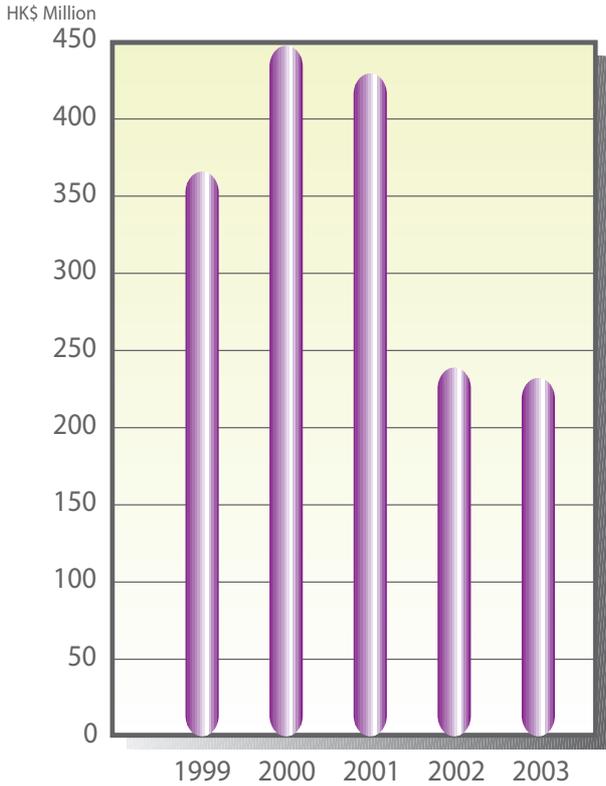
New Territories

- 32 Kwai Chung Branch**
Shop 301, 3/F
Kwai Chung Plaza
7-11 Kwai Foo Road
Tel: 24200121 Fax: 24850590
Manager: Chan Chiu Ming Peter
- 33 Tsuen Wan Branch**
G/F, 232 Sha Tsui Road
Tel: 24934187 Fax: 24174497
Manager: Law Shue Sum Dennis
- 34 Tuen Mun Branch**
G/F Shop 7, Mei Hang Building
Kai Man Path
Tel: 24572901 Fax: 24402503
Manager: Poon Wai Chung Danny
- 35 Yuen Long Branch**
G/F, 182 Main Road
Tel: 24762146 Fax: 24759903
Manager: Leung Chiu Kwong
- 36 Tai Po Branch**
G/F, 86 Kwong Fuk Road
Tel: 26565207 Fax: 26577019
Manager: Kan Yuk Lun Taylor
- 37 Shatin Branch**
Shop 10A, 11A & B
Lucky Plaza Commercial Centre
Tel: 26995633 Fax: 26914588
Manager: Lee Man Fai Eric
- 38 Sheung Shui Branch**
G/F, 99 San Fung Avenue
Tel: 26732729 Fax: 26739278
Manager: Yuen Chak Sang Michael
- 39 Tai Wai Branch**
Shop 2C, G/F
11-13 Chik Fai Street
Tel: 26092611 Fax: 26094088
Manager: Cheung Wa Wai Victor
- 40 Nan Fung Centre Branch**
Rm 1523, Nan Fung Centre
264-298 Castle Peak Road
Tsuen Wan
Tel: 24141198 Fax: 24131624
Manager: Chow Koon Ping Danny

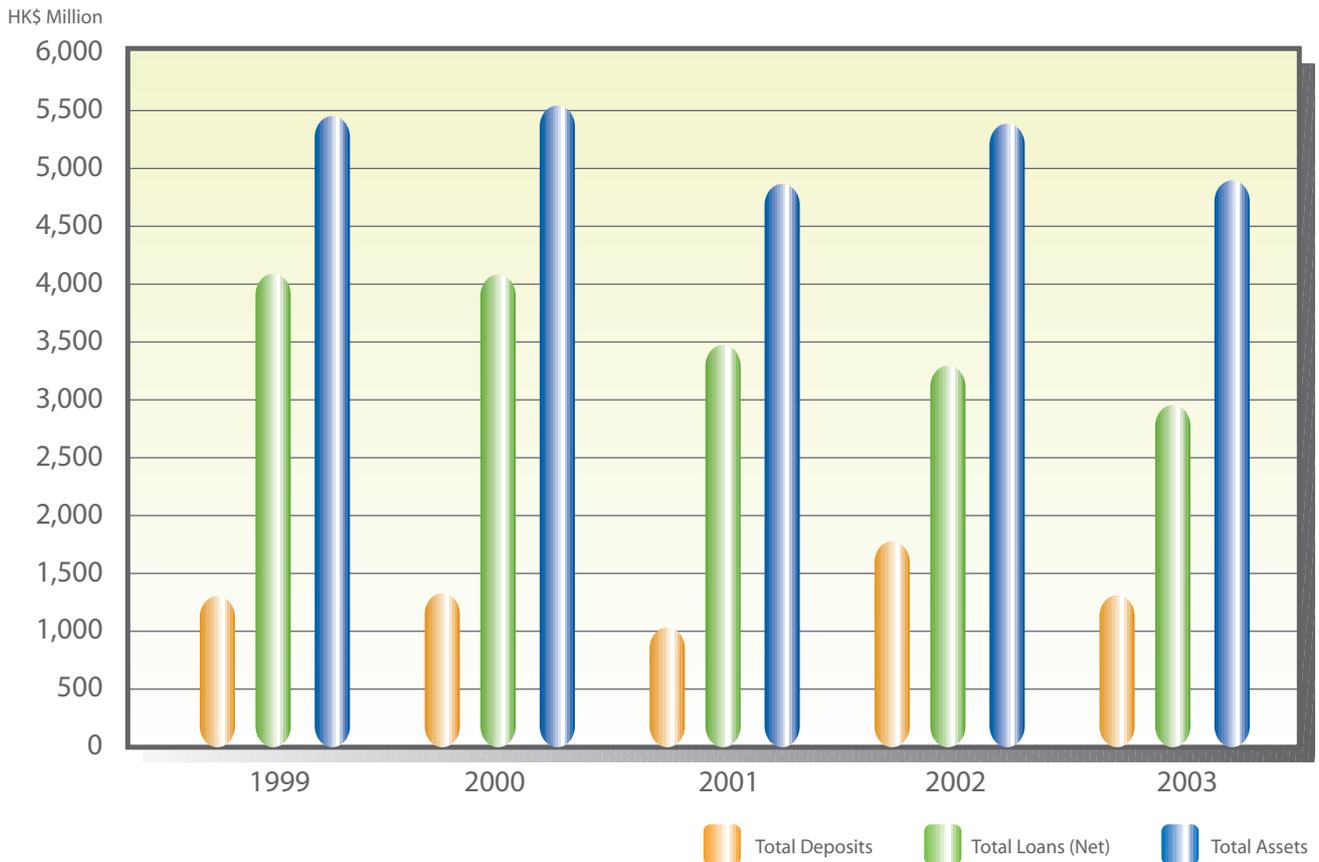
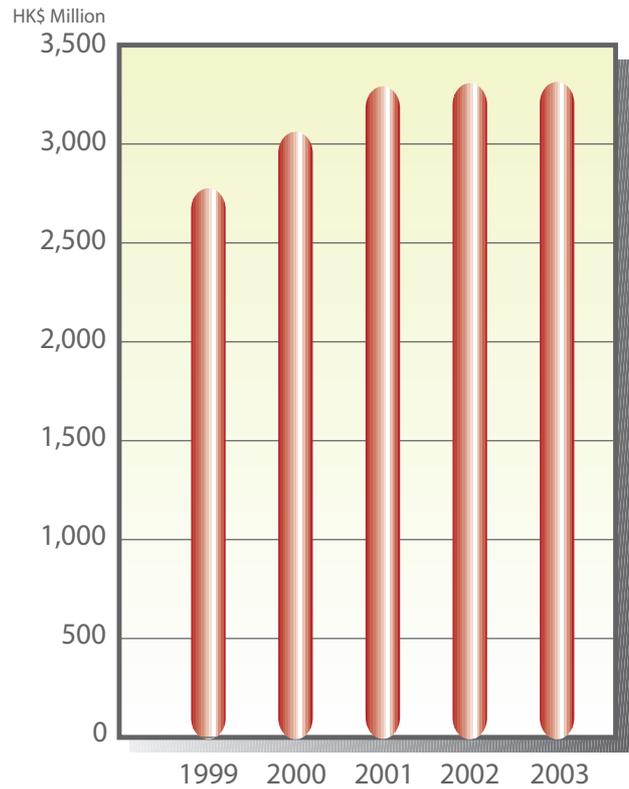


Five-year Financial Summary

Net Profit



Shareholders' Funds





Five-year Financial Summary

2003 Financial Highlights

Net profit:	HK\$232.1 million
Loans and advances (net):	HK\$2,883.2 million
Customer deposits:	HK\$1,309.3 million
Shareholders' funds:	HK\$3,304.3 million
Earnings per share:	32.8 cents
Total dividends per share:	24.0 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				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Loans and advances (net)	2,883,157	3,223,378	3,460,559	4,082,729	4,078,416
Other assets	1,969,933	2,161,556	1,379,572	1,444,204	1,361,017
Total assets	4,853,090	5,384,934	4,840,131	5,526,933	5,439,433
Customer deposits	1,309,344	1,774,336	1,033,546	1,318,818	1,304,381
Other liabilities	239,465	93,732	309,780	920,619	1,180,382
Total liabilities	1,548,809	1,868,068	1,343,326	2,239,437	2,484,763
Net assets	3,304,281	3,516,866	3,496,805	3,287,496	2,954,670
Shareholders' funds	3,304,281	3,301,343	3,291,095	3,096,668	2,782,097
Minority interests	-	215,523	205,710	190,828	172,573
Total capital resources	3,304,281	3,516,866	3,496,805	3,287,496	2,954,670
Net profit attributable to shareholders	232,133	237,338	428,832	446,638	365,338
Basic earnings per share (cents)	32.8	33.5	60.7	63.2	51.7

Certain comparative figures in the prior years have been restated for the retrospective changes in accounting policy affecting income taxes, and have been reclassified to conform with the current year's presentation. The details are further disclosed in notes 2 and 41 to the financial statements.



Chairman's Statement

"I am pleased to present a review of the results of the Group for the financial year ended 31 December 2003."



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

Group Performance

During the year under review, the prolonged weak economy of Hong Kong was further adversely affected by the outbreak of SARS with unemployment rate at a record high of 8.7% in mid-2003 before it improved to 7.3% by the end of the year. Consumer confidence during the year under review was weak and had slowed down the demand for consumer loans, taxi financing and taxi trading activities of JCG Holdings Limited (the "Company") and its subsidiaries (the "Group"). Despite such a difficult and challenging operating environment, the Group recorded a profit after tax and minority interests of HK\$232.1 million, representing a marginal decrease of 2.2% or HK\$5.2 million when compared to HK\$237.3 million in the previous year. Accordingly, the Group's earnings decreased slightly to 32.8 HK cents per share from 33.5 HK cents per share. The Directors declared the payment of a second interim dividend of 20.0 HK cents per share in December 2003. The directors do not recommend the payment of a final dividend for the year under review. Together with the first interim dividend of 4.0 HK cents per share paid in August 2003, the total dividends for the year 2003 was 24.0 HK cents per share.

The decrease in profit before tax was mainly due to the decrease in net interest income and the decrease in other non-interest operating income. For the year ended 31 December 2003, the Group's net interest income decreased by 10.4% or HK\$80.2 million to HK\$691.0 million. The Group's interest income decreased by 9.6% or HK\$77.0 million to HK\$723.3 million mainly due to a decrease in gross loans and advances. The Group's interest expense increased by 10.9% or HK\$3.2 million to HK\$32.4 million mainly due to the increase in average customer deposits over the year when compared to that of the previous year. The Group's other non-interest operating income, before taking into account the credit from the amortisation of negative goodwill of HK\$18.4 million arising from the privatisation of Winton Holdings (Bermuda) Limited ("Winton"), a subsidiary of the Company, decreased by 9.8% or HK\$16.4 million to HK\$151.6 million. This was mainly due to the decrease in loans processing and related fees as a result of lower volume of consumer loans and the decrease in contribution from the Group's taxi trading activities during the year.



Chairman's Statement

Group Performance (Continued)

The Group's provisions for bad and doubtful debts decreased by 13.0% or HK\$62.0 million to HK\$415.2 million for the year mainly due to the decrease in personal bankruptcies of its consumer loan customers. However, an increase in the number of individual voluntary arrangement cases from the consumer loan customers narrowed the decrease in the provisions for bad and doubtful debts.

The Group's operating expenses decreased by 6.9% or HK\$13.9 million to HK\$186.3 million for the year when compared to the previous year. The Group's cost to operating income ratio remained relatively low at 21.6% in 2003.

As at 31 December 2003, the Group's total gross loans and advances decreased by 9.6% or HK\$332.7 million to HK\$3,133.5 million from HK\$3,466.2 million at the end of December 2002, following an aggressive write-off of bad debts of HK\$456.4 million, mainly due to personal bankruptcies and individual voluntary arrangements from consumer loan customers who rescheduled their repayment obligations, as well as lower volume of consumer loans transacted during the year. Customer deposits of the Group decreased by 26.2% or HK\$465.0 million to HK\$1,309.3 million from HK\$1,774.3 million as at 31 December 2002 in line with the decrease of gross loans and advances.

As at 31 December 2003, the shareholders' funds of the Group stood at HK\$3,304.3 million.

Prospects

The operating environment for financial institutions in Hong Kong is expected to remain highly competitive and challenging, in particular, in the consumer financing market as competition amongst financial institutions to increase their market share in consumer loans intensify. The Group will continue to focus on marketing and promoting consumer loans to selected market segments to attract new and better quality customers in expanding its consumer base. In addition to continuing improvement in the quality of customer service, the Group will also continue to look for opportunities to expand its branch network and relocation of the branches to better sites for easy access by customers and increase the visibility of the branches.

In light of the gradual recovery and improvement in the Hong Kong economy, strengthening consumer confidence and the declining trend in personal bankruptcies, together with the availability of positive credit data of customers, the Group will undertake a more aggressive marketing strategy to promote and increase its consumer financing loan business. Notwithstanding this, the Group will continue to strengthen its credit risk management and adopt a prudent approach in its credit evaluation and credit controls.

The Group will also continue to focus on developing its taxi financing and taxi trading businesses with the support of a well established panel of financiers and network of taxi dealers.

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



Management Discussion and Analysis

Business review

In year 2003, Hong Kong's economy was adversely affected by the outbreak of SARS with unemployment rate at a record high of 8.7%. Demand for loans, in particular, consumer financing, was subdued and competition for consumer loan business amongst financial institutions intensified further.

The outbreak of SARS had also affected the taxi financing and taxi trading industry as the income of taxi drivers fell during the outbreak. Consequently, the taxi trading activities of taxi licences in the market were relatively low, and it caused the Group's volume of taxi financing and trading of taxi licences to fall correspondingly.

Despite such a difficult business environment, the Group recorded a profit after tax of HK\$232.1 million, representing a slight decrease of 2.2% or HK\$5.2 million when compared to HK\$237.3 million in the previous year.

Profit and loss analysis

The decrease in profit after tax was mainly attributed to the decrease in net interest income and the decrease in non-interest operating income before taking into account the credit from amortisation of negative goodwill arising from the privatisation of Winton.

For the year ended 31 December 2003, the Group's net interest income decreased by 10.4% or HK\$80.2 million to HK\$691.0 million. The Group's interest income decreased by 9.6% or HK\$77.0 million to HK\$723.3 million mainly due to a decrease in gross loans and advances. Although customer deposits as at 31 December 2003 was lower than the previous year end, the Group's interest expense increased by 10.9% or HK\$3.2 million to HK\$32.4 million mainly because the average customer deposits over the year was higher than that of the previous year.

The Group's other non-interest operating income, excluding the amount of amortisation of negative goodwill of HK\$18.4 million for the year, decreased by 9.8% or HK\$16.4 million to HK\$151.6 million mainly due to the decrease in loans processing and related fees as a result of lower volume of consumer loans, and the decrease in contribution from taxi trading activities during the year.

The Group's provisions for bad and doubtful debts decreased by 13.0% or HK\$62.0 million to HK\$415.2 million during the year mainly due to the decrease in personal bankruptcies from the consumer loan customers. However, an increase in the individual voluntary arrangement cases from the consumer loan customers narrowed the decrease in the provisions for bad and doubtful debts, as the Group also adopted a conservative and prudent provisioning policy for such accounts.

The Group's operating expenses decreased by 6.9% or HK\$13.9 million to HK\$186.3 million for the year when compared to the previous year resulting in the Group's cost to operating income ratio to remain relatively low at 21.6% in 2003.



Management Discussion and Analysis

Balance sheet analysis

As at 31 December 2003, the Group's total gross loans and advances decreased by 9.6% or HK\$332.7 million to HK\$3,133.5 million from HK\$3,466.2 million at the end of December 2002, following the write-off of bad debts of HK\$456.4 million, which was mainly from the consumer loan customers, and lower volume of consumer loans transacted by the Group during the year. The Group's customer deposits decreased by 26.2% or HK\$465.0 million to HK\$1,309.3 million as at 31 December 2003 from HK\$1,774.3 million as at 31 December 2002.

Shareholders' funds of the Group as at 31 December 2003 grew to HK\$3,304.3 million.

Segmental information

The Group's business comprised mainly of two segments, personal and commercial lendings, and taxi trading. Over 90% of the Group's operating income and profit before tax were contributed from personal and commercial lendings. When compared to the previous year, the Group's operating income of personal and commercial lendings decreased by 9.7% to HK\$834.3 million. The contribution to profit before tax from personal and commercial lendings decreased by 7.1% to HK\$237.1 million mainly due to the lower operating income during the year.

Asset quality

The Group's non-performing loans ("NPL") to total gross loans and advances was 8.3% at the end of December 2003 against 6.8% at the end of December 2002. The increase in the NPL was mainly due to the re-classification of a re-scheduled loan, which comprised 2.0% of the total gross loans and advances. The repayment of the loan was affected by the outbreak of SARS.

The consolidated capital adequacy ratio of JCG Finance Company, Limited ("JCG Finance") increased by 4.21% to 43.17% at the end of 2003 when compared to 38.96% at the end of 2002, mainly due to the decrease in the risk-weighted average assets.

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.

The Group 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 96.8% in 2003.

During 2003, 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 under review, the Group has neither engaged in any derivative activities nor committed to any financial instruments to hedge its balance sheet exposures.



Management Discussion and Analysis

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 morale and foster closer team spirit amongst them. Periodical discussions and dialogues between branch personnel and management were held to improve customer service, to increase operational efficiencies, and to 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.

At the end of December 2003, the Group has a relatively stable staff force of about 478 people. For the year ended 31 December 2003, the Group's staff costs amounted to HK\$84.8 million.

Contingent liabilities

At the end of December 2003, the outstanding guarantee given to the co-financing banks under the co-financing arrangement was nil. There was also no other material contingent liability under the Group at the end of the same year.



Brief Biography of Directors and Senior Management

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

Tan Sri Dato' Sri Dr. Teh Hong Piow, aged 73, is the founder, Chairman and controlling shareholder of Public Bank Berhad ("Public Bank"), the ultimate holding company. He has more than 54 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 51, has more than 22 years of experience in the banking sector. He was appointed an Executive Director of the Company in February 1992. 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

Datuk Tay Ah Lek, aged 61, has 43 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 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 41, has more than 16 years of experience in the banking sector. He was appointed an Executive Director of the Company in June 1996. 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 50, has over 28 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. 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 69, was appointed an Independent Non-executive Director of the Company in March 1995 and is a member of the Audit Committee. He is 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

Dato' Yeoh Chin Kee, aged 61, has 43 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. 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.

JCG Family



◀ The Board of Directors of Winton Holdings (Bermuda) Limited at its Court Meeting and Special General Meeting held at Mandarin Oriental, Hong Kong in February 2003.

▼ The Company's 2003 Annual General Meeting held at Mandarin Oriental, Hong Kong in April 2003.



◀ Tan Sri Dato' Sri Dr. Teh Hong Piow, our Group Chairman, accompanied by the Board members at the ceremony to "Ignite the Canon" for the Group's 2003 Annual Dinner.



▲ Branch Managers taking part in discussions and dialogues with the management on business promotion strategies.



▲ Crowning of "Miss JCG 2003" at the 2003 Annual Dinner held in July 2003 at Grand Hyatt Hong Kong.



◀ Staff and family members taking a group photo during the JCG Annual Outing 2003 to Guangzhou.

JCG Family



◀ Happy birthday to our Group Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow, and the birthday cake cutting ceremony.

▼ A Kung Fu Show at Tan Sri Dato' Sri Dr. Teh Hong Piow's 73rd Birthday Dinner held at JW Marriott Hotel Hong Kong.



◀ The participants of the 2003 Inter-House Bowling Competition shared the great fun of the game.



▲ Once again our staff gave our heartfelt and enthusiastic support to the charity event "Run with Your Heart 2002" in the New Year Eve 2002.



▲ Runners with their "Certificate of Completion" at "Standard Chartered Marathon 2003".



◀ Basketball players showing their excellent skills at the 2003 Inter-House Basketball Competition organised by JCG Sports Club.



Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2003.

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, 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 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 64.

A first interim dividend of 4.0 cents (2002: 4.5 cents) per ordinary share was paid on 28 August 2003. A second interim dividend of 20.0 cents (2002: Nil) per ordinary share was declared on 31 December 2003 and will be payable on 3 February 2004 to shareholders of the Company whose names appear on the register of members on 16 January 2004. The directors do not recommend the payment of a final dividend (2002: 13.5 cents).

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 25 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 notes 31 and 32 to the financial statements.

Pre-emptive rights

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



Report of the Directors

Conversion and redemption of convertible preference shares of a subsidiary

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

In the year 2002, 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 a notice of redemption to the holders of 1,911,651 CPS (other than those held by the Company) to redeem their 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.

The proposal to privatise Winton was approved by its shareholders at the Court Meeting and Special General Meeting both held on 27 February 2003. Winton became a wholly-owned subsidiary of the Company upon completion of its privatisation which took effect on 26 March 2003. In April 2003, Winton purchased all the 870,225,121 CPS from the Company at a consideration of HK\$0.33 each pursuant to the terms of CPS.

Purchase, sale or redemption of listed shares of the Company

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

Reserves

Details of movements in the reserves of the Group during the year are set out in the consolidated summary statement of changes in equity and note 33 to the financial statements.

Distributable reserves

The Company's contributed surplus is distributable to shareholders in accordance with the Companies Act 1981 of Bermuda. At 31 December 2003, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$1,424,044,000 (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.



Report of the Directors

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

In accordance with the Bye-laws of the Company, Mr. Tan Yoke Kong and Mr. Lee Huat Oon 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 40 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 its holding company, or any of its subsidiaries and fellow subsidiaries was a party at the balance sheet date or at any time during the year.



Report of the Directors

Directors' interests and short positions in shares and underlying shares

At the balance sheet date, the directors' interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, 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:

(a) Long positions in ordinary shares of the Company and associated corporations

Interests in	Name of director	Number of ordinary shares			Total	Percentage of interest in issued share capital
		Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
1. The Company	Tan Sri Dato' Sri					
	Dr. Teh Hong Piow	–	–	462,282,110	462,282,110	65.3164
	Tan Yoke Kong	50,000	–	–	50,000	0.0071
2. Public Bank, the ultimate holding company	Tan Sri Dato' Sri					
	Dr. Teh Hong Piow	1,562,500	–	1,542,016,890	1,543,579,390	24.0688
	Datuk Tay Ah Lek	2,789,749	–	278,965	3,068,714	0.0478
	Dato' Yeoh Chin Kee	–	37,500	–	37,500	0.0006
	Wong Kong Ming	182,524	–	–	182,524	0.0028
3. PB International Factors Sdn. Bhd., a fellow subsidiary	Tan Sri Dato' Sri					
	Dr. Teh Hong Piow	–	–	5,500,000	5,500,000	55.0000
4. Public Mutual Bhd., a fellow subsidiary	Tan Sri Dato' Sri					
	Dr. Teh Hong Piow	–	–	5,400,000	5,400,000	90.0000
5. Winsure Company, Limited, a subsidiary	Tan Sri Dato' Sri					
	Dr. Teh Hong Piow	–	–	15,500	15,500	96.8750

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 its associated corporations as disclosed above, to the extent that Public Bank has an interest.



Report of the Directors

Directors' interests and short positions in shares and underlying shares (Continued)

(b) Long positions in underlying shares of the Company and associated corporations

Interests in	Name of director	At the beginning of the year	Number of ordinary shares attached to the share options		At the end of the year	Exercise price	Exercisable period		
			Granted during the year	Exercised during the year					
Public Bank	Tan Sri Dato' Sri Dr.Teh Hong Piow	250,000	-	-	250,000	RM0.82	10.4.1998 to 24.2.2005		
		75,000	-	-	75,000	RM0.82	23.4.2001 to 24.2.2005		
		36,360,000	-	-	36,360,000	RM1.78	6.6.2002 to 24.2.2005		
		81,250	-	-	81,250	RM0.82	18.7.2002 to 24.2.2005		
		9,090,000	-	-	9,090,000	RM1.78	18.7.2002 to 24.2.2005		
		-	101,563*	-	101,563	RM0.82	25.7.2003 to 24.2.2005		
		-	11,362,500*	-	11,362,500	RM1.78	25.7.2003 to 24.2.2005		
		45,856,250	11,464,063	-	57,320,313				
		Datuk Tay Ah Lek		175,000	-	-	175,000	RM0.82	10.4.1998 to 24.2.2005
				52,500	-	-	52,500	RM0.82	23.4.2001 to 24.2.2005
10,000,000	-			-	10,000,000	RM1.78	6.6.2002 to 24.2.2005		
56,875	-			-	56,875	RM0.82	18.7.2002 to 24.2.2005		
2,500,000	-			-	2,500,000	RM1.78	18.7.2002 to 24.2.2005		
-	6,000,000			6,000,000	-	RM1.70	25.7.2003 to 24.2.2005		
-	71,094*			-	71,094	RM0.82	25.7.2003 to 24.2.2005		
-	3,125,000*			-	3,125,000	RM1.78	25.7.2003 to 24.2.2005		
-	1,500,000*			1,500,000	-	RM1.70	25.7.2003 to 24.2.2005		
12,784,375	10,696,094			7,500,000	15,980,469				
Wong Kong Ming		100,000	-	-	100,000	RM1.78	6.6.2002 to 24.2.2005		
		25,000	-	-	25,000	RM1.78	18.7.2002 to 24.2.2005		
		-	31,250*	-	31,250	RM1.78	25.7.2003 to 24.2.2005		
		125,000	31,250	-	156,250				

* Adjustments to the number of share options granted pursuant to Public Bank bonus issue during the year.



Report of the Directors

Directors' interests and short positions in shares and underlying shares (Continued)

(b) Long positions in underlying shares of the Company and associated corporations (Continued)

Note: 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 as a result of the bonus issues of shares by Public Bank on 23 April 2001, 18 July 2002 and 25 July 2003. Further options were granted to employees of Public Bank on 6 June 2002 and 25 July 2003. The options are exercisable subject to the terms of the PBB ESOS.

Save as disclosed above, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code at the balance sheet date.

Directors' rights to acquire shares or debentures

Apart from the share option schemes disclosed above and set out in note 32 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 minor children 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, mortgage loans and taking of deposits from customers in Hong Kong through its fully licensed 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 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. The terms and conditions of other businesses of JCG Finance and Public Bank, Hong Kong Branch are also market driven.



Report of the Directors

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

At the balance sheet date, the register of interests and short positions in the shares and underlying shares of the Company kept under Section 336 of the SFO showed that, other than the interests of Tan Sri Dato' Sri Dr. Teh Hong Piow as disclosed above, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Name	Capacity	Number of ordinary shares	Percentage of interest in issued share capital
Substantial shareholder			
1. Public Bank	Beneficial owner	462,282,110	65.3164
Other person			
2. The Capital Group Companies, Inc.	Investment manager	49,027,800	6.9272

All the interests stated above represent long positions. Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded under Section 336 of the SFO at the balance sheet date.

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.

On 11 November 2003, a tenancy agreement was entered into between the Company as the landlord and Public Bank, Hong Kong Branch as the tenant whereby the Company agreed to lease the premises located at Shop A, Ground Floor, Wing On House, Hong Kong to Public Bank, Hong Kong Branch as its branch office for a term of three years commencing from 1 November 2003 to 31 October 2006 at a monthly rental of HK\$150,000 with an option to renew for a further two years at the then prevailing market rate.



Report of the Directors

Connected transactions (Continued)

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

During the year, no new hire purchase loan was granted by the Group under the Co-financing Arrangements with Public Bank (2002: Nil). There was no new guarantee provided by Winton, a wholly-owned subsidiary, to Public Bank (2002: Nil) in respect of borrowers who may default within one year of the co-financed hire purchase loans and Winton has no outstanding guarantee (2002: HK\$770,000) given to Public Bank. Under the Co-financing Arrangements, no interest income was received by Public Bank (2002: Nil) from the Winton Group and no commission income was received by the Winton Group from Public Bank (2002: Nil).

The Company was granted a conditional waiver by the Stock Exchange under the letter dated 19 April 2000 from strict compliance with the requirements of Chapter 14 of the Listing Rules in respect of the Transaction. Mr. Geh Cheng Hooi, Paul and Dato' Yeoh Chin Kee, the Independent Non-executive Directors of the Company, and the external auditors have reviewed the Transaction. The respective parties have concluded that the Transaction met the conditions imposed by the Stock Exchange under the conditional waiver granted to the Company.

- (3) Pursuant to the master dealer agreement entered into between Winton Motors, Limited ("WML"), a wholly-owned subsidiary, and Public Bank on 29 December 1994, WML may from time to time refer hirers to Public Bank for obtaining taxi financing loans, and in return, WML will receive dealer's commission from Public Bank (the "Transaction"). Dealer's commission received/receivable by WML for the year from Public Bank was HK\$9,975,000 (2002: HK\$9,596,000).

The Company was granted a conditional waiver by the Stock Exchange under the letter dated 16 May 2001 from strict compliance with the requirements of Chapter 14 of the Listing Rules in respect of the Transaction. Mr. Geh Cheng Hooi, Paul and Dato' Yeoh Chin Kee, the Independent Non-executive Directors of the Company, and the external auditors have reviewed the Transaction. The respective parties have concluded that the Transaction met the respective conditions imposed by the Stock Exchange under the conditional waiver granted to the Company.

- (4) During the year, the Group placed fixed deposits with Public Bank at prevailing market rates. As at 31 December 2003, the fixed deposits placed amounted to HK\$1,010,505,000 (2002: HK\$284,955,000). Interest income received/receivable by the Group for the year from Public Bank in respect of the placements amounted to approximately HK\$8,978,000 (2002: HK\$3,138,000).



Report of the Directors

Compliance with Supervisory Policy Manual

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 Manual 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 appointed subject to retirement by rotation and re-election at annual general meetings 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

14 January 2004



Report of the Auditors

ERNST & YOUNG

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 26 to 64 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 2003 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

14 January 2004



Consolidated Profit and Loss Account

For the year ended 31 December 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Interest income		723,327	800,349
Interest expense		(32,366)	(29,189)
NET INTEREST INCOME		690,961	771,160
Other operating income	5	169,988	167,958
OPERATING INCOME		860,949	939,118
Operating expenses	6	(186,313)	(200,203)
OPERATING PROFIT BEFORE PROVISIONS		674,636	738,915
Provisions for bad and doubtful debts	8	(415,173)	(477,213)
OPERATING PROFIT		259,463	261,702
Gain on disposal of an associate		–	3,557
PROFIT BEFORE TAX		259,463	265,259
Tax	11	(27,460)	(28,438)
PROFIT BEFORE MINORITY INTERESTS		232,003	236,821
Minority interests		130	517
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	12	232,133	237,338
DIVIDENDS	13		
Interim		169,860	32,005
Proposed final		–	95,547
		169,860	127,552
EARNINGS PER SHARE (cents)	14		
Basic		32.8	33.5
Diluted		N/A	N/A



Balance Sheets

31 December 2003

	Notes	Group		Company	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
			(Restated)		
ASSETS					
Cash and short term placements	15	1,253,221	1,444,612	1,045,930	648,452
Placements with banks and financial institutions maturing between one and twelve months	16	176,901	128,368	413,752	479,706
Loans and advances	7	2,883,157	3,223,378	-	-
Other assets	17	219,414	224,092	589	1,577
Long term investment	19	13,565	7,889	-	-
Investment properties	20	57,430	60,080	-	-
Interests in subsidiaries	21	-	-	1,353,811	1,641,217
Interest in an associate	22	-	-	-	-
Negative goodwill	24	(73,730)	-	-	-
Fixed assets	25	323,132	296,515	32,654	-
TOTAL ASSETS		4,853,090	5,384,934	2,846,736	2,770,952
LIABILITIES					
Customer deposits	27	1,309,344	1,774,336	-	-
Other liabilities	28	239,465	93,732	142,323	607
TOTAL LIABILITIES		1,548,809	1,868,068	142,323	607
CAPITAL RESOURCES					
Share capital	31	70,776	70,776	70,776	70,776
Reserves	33	3,233,505	3,135,020	2,633,637	2,604,022
Proposed final dividend	13	-	95,547	-	95,547
Shareholders' funds		3,304,281	3,301,343	2,704,413	2,770,345
Minority interests		-	215,523	-	-
TOTAL CAPITAL RESOURCES		3,304,281	3,516,866	2,704,413	2,770,345
TOTAL LIABILITIES AND CAPITAL RESOURCES		4,853,090	5,384,934	2,846,736	2,770,952

Tan Yoke Kong
Director

Lee Huat Oon
Director



Consolidated Summary Statement of Changes in Equity

For the year ended 31 December 2003

	Notes	2003 HK\$'000	2002 HK\$'000
			(Restated)
TOTAL EQUITY			
Balance at beginning of year			
As previously reported		3,276,618	3,266,370
Prior year adjustment	30	24,725	24,725
As restated		3,301,343	3,291,095
Surplus/(deficit) on revaluation of long term equity investments	33	5,676	(1,651)
Loss on diluted shareholding of a subsidiary, net of gain on redemption of minority interests	33	-	(30,534)
Gain on redemption of minority interests, net of loss on diluted shareholding of a subsidiary	33	30,536	-
Net gains/(losses) not recognised in the consolidated profit and loss account		36,212	(32,185)
Net profit from ordinary activities attributable to shareholders		232,133	237,338
Dividends paid/declared on shares		(265,407)	(198,167)
Issue of shares		-	3,262
		(33,274)	42,433
Balance at end of year		3,304,281	3,301,343

The listing status of Winton's ordinary shares was withdrawn from the Stock Exchange on 27 March 2003. Following the redemption of minority interests of Winton, the net loss arising from the temporary dilution of the Group's shareholding in Winton in the prior year together with any gains arising on completion of the privatisation of Winton in March 2003 are accounted for as negative goodwill in the year of 2003.



Consolidated Cash Flow Statement

For the year ended 31 December 2003

	Notes	2003 HK\$'000	2002 HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	34	107,640	958,721
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		(34,440)	(2,506)
Proceeds from sale of fixed assets		-	16
Proceeds from disposal of investment in an associate		-	3,557
Purchase of additional interests in a subsidiary		(92,694)	(13,246)
Dividends from listed investments		491	266
Net cash used in investing activities		(126,643)	(11,913)
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares issued on exercise of share options		-	3,262
Dividends paid on shares		(123,855)	(198,167)
Dividends paid to minority interests		-	(7,420)
Net cash used in financing activities		(123,855)	(202,325)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(142,858)	744,483
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,572,980	828,497
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,430,122	1,572,980
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and short term placements	15	1,253,221	1,444,612
Placements with banks and financial institutions maturing within three months		176,901	128,368
		1,430,122	1,572,980



Notes to Financial Statements

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, 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, Winton announced a proposed privatisation by way of a scheme of arrangement and withdrawal of the listing of its shares from the Stock Exchange. Following the Court Meeting and Special General Meeting held on 27 February 2003, Winton was privatised on 26 March 2003 under Section 99 of the Companies Act 1981 of Bermuda and became a wholly-owned subsidiary of the Company. The listing status of Winton's shares was then withdrawn from the Stock Exchange on 27 March 2003 accordingly.

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

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

The following recently-issued and revised SSAP and related interpretation have been adopted for the first time in the preparation of the current year's consolidated financial statements and had a significant impact thereon:

- SSAP 12 (Revised): Income taxes
- Interpretation 20: Income taxes – Recovery of revalued non-depreciable assets

This SSAP and the Interpretation prescribe new accounting measurement and disclosure practices. The major effects of adopting this SSAP and the Interpretation on the Group's accounting policies and on the disclosures in the financial statements are summarised as follows:

SSAP 12 prescribes the accounting treatment for current income taxes payable or recoverable, arising from the taxable profit or loss for the current period; and deferred income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses.

The principal impact of the revision of this SSAP on the financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other material taxable and deductible temporary differences are generally provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future;
- a deferred tax liability has been recognised on the revaluation of the Group's investment properties; and
- a deferred tax asset has been recognised for tax losses arising in the current/prior periods to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.



Notes to Financial Statements

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP") (Continued)

Disclosures:

- deferred tax assets and liabilities are presented separately on the balance sheet, whereas previously they were presented on a net basis; and
- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 11 and 30 and include a reconciliation between the accounting profit and tax expense for the year.

Details of these changes and the prior year adjustments arising from them are included in the accounting policy for income tax in note 3 and further disclosed in note 30.

Interpretation 20 requires that a deferred tax asset or liability that arises from the revaluation of certain non-depreciable assets and investment properties is measured based on the tax consequences that would follow from the recovery of the carrying amount of that asset through sale. This policy has been applied by the Group in respect of the revaluation of its investment properties in the deferred tax calculated under SSAP 12.

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 2003. 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

Positive/(negative) goodwill arising on the acquisition of subsidiaries and associates represents the excess/(deficit) 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, positive/(negative) goodwill arising on acquisitions was eliminated against/(credited to) consolidated reserves in the year of acquisition. Upon SSAP 30 becoming effective, the Group adopted the transitional provision of SSAP 30 that permits positive/(negative) goodwill on acquisitions, which occurred prior to 1 January 2001, to remain eliminated against/(credited to) consolidated reserves.

For acquisitions subsequent to the adoption of SSAP 30, negative goodwill is shown as carrying amount, net of amortisation, in the balance sheet and the negative goodwill is amortised over five years on a straight-line basis.

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.



Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 ¹ / ₃ %
Others	Over the shorter of the remaining lease terms or seven years
Furniture, fixtures and equipment	10% – 25%
Motor vehicles	20% – 25%

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

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.



Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets (Continued)

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.

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.



Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carry amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.



Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 taxi 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.

Reposessed assets

Reposessed assets refer to the assets reposessed 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 reposessed 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.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates 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.



Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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 two 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 ORSO 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 an employee leaves MPF 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 Employment Ordinance of Hong Kong 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.

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;



Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

- (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 authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

4. SEGMENTAL 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 segment mainly comprises the granting of personal loans, overdrafts, property mortgage loans, hire purchase loans to individuals and small to medium sized manufacturing companies and the provision of finance to purchasers of licensed public vehicles such as taxis and public light buses.
- Taxi trading and related operations, and other businesses segment mainly comprise the taxi trading and the leasing of taxis, securities dealing and the letting of investment properties.

The Group's inter-segment transactions were mainly related to dealers' 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.



Notes to Financial Statements

4. SEGMENTAL INFORMATION (Continued)

(a) By business segments (Continued)

The following tables represent revenue and profit information for these segments for the years ended 31 December 2003 and 2002, and certain asset and liability information regarding business segments as at 31 December 2003 and 2002.

Group	Personal and commercial lending		Taxi trading and related operations, and other businesses		Eliminated on consolidation		Total	Total
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
								(Restated)
Segment revenue								
Net interest income	690,897	771,160	64	-	-	-	690,961	771,160
Other operating income:								
Fees and commission income	139,851	147,627	1,325	6,558	-	-	141,176	154,185
Others	3,566	4,761	6,813	9,012	-	-	10,379	13,773
Inter-segment transactions	-	-	6,746	7,147	(6,746)	(7,147)	-	-
	834,314	923,548	14,948	22,717	(6,746)	(7,147)	842,516	939,118
Unallocated revenue:								
Amortisation of negative goodwill							18,433	-
							860,949	939,118
Segment results	237,063	255,206	6,408	6,496	-	-	243,471	261,702
Amortisation of negative goodwill and intangible asset							18,408	-
Unallocated expenses							(2,416)	-
Gain on disposal of an associate							-	3,557
Profit before tax							259,463	265,259
Tax							(27,460)	(28,438)
Minority interests							130	517
Net profit from ordinary activities attributable to shareholders							232,133	237,338
Segment assets	4,732,414	5,210,030	150,746	125,754	-	-	4,883,160	5,335,784
Interest in an associate	-	-	-	-	-	-	-	-
Total segment assets	4,732,414	5,210,030	150,746	125,754	-	-	4,883,160	5,335,784
Unallocated assets:								
Negative goodwill and intangible asset							(73,578)	-
Tax recoverable and deferred tax assets							43,508	49,150
Total assets							4,853,090	5,384,934
Segment liabilities	1,353,053	1,799,693	38,701	46,146	-	-	1,391,754	1,845,839
Unallocated liabilities:								
Declared second interim dividend							141,552	-
Deferred tax liabilities							15,503	22,229
Total liabilities							1,548,809	1,868,068



Notes to Financial Statements

4. SEGMENTAL INFORMATION (Continued)

(a) By business segments (Continued)

Group	Personal and commercial lending		Taxi trading and related operations, and other businesses		Eliminated on consolidation		Total	Total
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segmental information extracted from the profit and loss account and balance sheet								
Capital expenditure	34,440	2,502	-	4	-	-	34,440	2,506
Amortisation and write off of commission expenses	3,444	3,287	-	-	-	-	3,444	3,287
Depreciation	9,669	9,739	-	120	-	-	9,669	9,859
Deficit on revaluation of investment properties	-	-	690	4,022	-	-	690	4,022
Provisions for bad and doubtful debts	415,173	477,213	-	-	-	-	415,173	477,213
Write back for other doubtful debts	(3,793)	(2,068)	-	-	-	-	(3,793)	(2,068)

(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	
	2003 HK\$'000	2002 HK\$'000
Fees and commission income	141,176	154,185
Gross rental income	5,296	5,283
Less: Outgoing expenses	(379)	(446)
Net rental income	4,917	4,837
Loss on disposal of fixed assets	(114)	(137)
Net profit from trading activities	2,578	5,573
Dividends from listed investments	491	266
Others	2,507	3,234
Operating income before amortisation of negative goodwill	151,555	167,958
Amortisation of negative goodwill	18,433	-
	169,988	167,958

Net profit from trading activities was arrived at after netting off the cost of inventories sold in the amount of HK\$378,528,000 (2002: HK\$194,726,000).



Notes to Financial Statements

6. OPERATING EXPENSES

	Group	
	2003 HK\$'000	2002 HK\$'000
Staff costs:		
Salaries and other staff costs	78,632	83,739
Pension contributions	6,350	6,449
Less: Forfeited contributions	(225)	(245)
Net pension contributions	6,125	6,204
	84,757	89,943
Other operating expenses:		
Operating lease rentals on land and buildings	20,252	20,697
Depreciation	9,669	9,859
Amortisation of intangible asset	25	25
Auditors' remuneration	1,442	1,742
Deficit on revaluation of investment properties	690	4,022
Amortisation and write off of commission expenses	3,444	3,287
Write back for other doubtful debts	(3,793)	(2,068)
Administrative and general expenses	18,788	15,775
Others	51,039	56,921
	186,313	200,203

As at 31 December 2003, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2002: 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 and other accounts

	Group	
	2003 HK\$'000	2002 HK\$'000
Loans and advances to customers	3,133,461	3,466,228
Interest receivable	57,750	88,572
Provisions for bad and doubtful debts (note 8):		
Specific	(116,273)	(123,151)
General	(191,781)	(208,271)
	(308,054)	(331,422)
	2,883,157	3,223,378

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



Notes to Financial Statements

7. LOANS AND ADVANCES (Continued)

(a) Advances to customers and other accounts (Continued)

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Repayable:		
On demand	42,101	51,352
Three months or less	565,955	680,971
One year or less but over three months	1,099,647	1,249,638
Five years or less but over one year	691,399	649,102
After five years	551,868	631,789
Undated	182,491	203,376
	3,133,461	3,466,228

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

	Group			
	2003		2002	
	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 on which interest has ceased to be accrued:				
Overdue for:				
Six months or less but over three months	73,265	2.3	96,980	2.8
One year or less but over six months	32,587	1.0	43,241	1.2
Over one year	51,902	1.7	56,133	1.6
	157,754	5.0	196,354	5.6
Overdue for three months or less	31,322	1.0	39,765	1.2
	189,076	6.0	236,119	6.8
Rescheduled and overdue for:				
Six months or less but over three months	2,461	0.1	-	-
One year or less but over six months	68,103	2.2	-	-
	70,564	2.3	-	-
Total non-performing loans and advances	259,640	8.3	236,119	6.8
Specific provisions	(116,273)		(123,151)	
	143,367		112,968	

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



Notes to Financial Statements

7. LOANS AND ADVANCES (Continued)

(c) Interest-accrual rescheduled loans

	2003		Group		2002	
	Gross amount HK\$'000	Percentage of total loans and advances	Gross amount HK\$'000	Percentage of total loans and advances	Gross amount HK\$'000	Percentage of total loans and advances
Gross advances to customers which have been rescheduled	2,246	0.1	62,968	1.8		

(d) Repossessed assets

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

8. PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	Specific HK\$'000	Group General HK\$'000	Total HK\$'000
At 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)
At 31 December 2002 and 1 January 2003	123,151	208,271	331,422
Recoveries	17,905	–	17,905
Charge for the year	449,568	(16,490)	433,078
Amounts released	(17,905)	–	(17,905)
<i>Net charge to the profit and loss account</i>	431,663	(16,490)	415,173
Amounts written off	(456,446)	–	(456,446)
At 31 December 2003	116,273	191,781	308,054



Notes to Financial Statements

9. DIRECTORS' REMUNERATION

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Fees:		
Executive	105	175
Non-executive	298	385
Independent non-executive	210	280
	613	840
Other emoluments:		
Basic salaries, housing, other allowances and benefits in kind	1,648	1,647
Bonuses paid and payable	545	631
Pension scheme contributions	182	182
	2,988	3,300

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 (2002: HK\$540,000).

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

	2003 Number of directors	2002 Number of directors
Nil – HK\$1,000,000	5	5
HK\$1,000,001 – HK\$1,500,000	2	2
	7	7



Notes to Financial Statements

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included two (2002: two) directors, details of whose remuneration are set out in note 9 above. The details of the remuneration of remaining three (2002: three) non-directors, highest paid individuals for the year are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Basic salaries, housing, other allowances and benefits in kind	2,261	1,799
Bonuses paid and payable	344	503
Pension scheme contributions	142	206
	2,747	2,508

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

	2003 Number of individuals	2002 Number of individuals
Nil – HK\$1,000,000	2	2
HK\$1,000,001 – HK\$1,500,000	1	1
	3	3

11. TAX

	Group	
	2003 HK\$'000	2002 HK\$'000
Hong Kong:		
Current tax charge	20,694	16,123
Over provisions in prior years	–	(5,820)
Impairment of loss arising from investment in partnership	14,144	14,194
Deferred tax (income)/charge (note 30)	(7,378)	3,941
	27,460	28,438

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16.0%) on the estimated assessable profits arising in Hong Kong during the year. The increase in Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 December 2003.

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 (2002: Nil).



Notes to Financial Statements

11. TAX (Continued)

A reconciliation of the tax expense applicable to accounting profit before tax using the statutory rates for the countries in which the Company and its subsidiaries and associates are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	Group			
	2003 HK\$'000	%	2002 HK\$'000	%
Hong Kong:				
Accounting profit before tax	259,463		265,259	
Tax at the applicable tax rate	45,406	17.5	42,441	16.0
Estimated tax effect of net (income)/expense that is not (taxable)/deductible in determining taxable profit	(10,009)	(3.9)	6,078	2.3
Estimated tax losses utilised from previous periods	(4,566)	(1.7)	(9,920)	(3.7)
Estimated tax losses not recognised	457	0.2	665	0.2
Adjustments in respect of current tax of previous periods	-	-	(5,820)	(2.2)
Attributable share of estimated profits tax losses arising from investment in partnership, net of impairment of HK\$14,144,000 (2002: HK\$14,194,000)	(5,106)	(2.0)	(5,006)	(1.9)
Increase in opening deferred taxes resulting from increase in tax rate (note 30)	1,278	0.5	-	-
Tax charge at the Group's effective rate	27,460	10.6	28,438	10.7

12. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2003 dealt with in the financial statements of the Company was HK\$199,823,000 (2002: HK\$247,930,000).

13. DIVIDENDS

	2003	2002	2003	2002
	Cents per ordinary share		HK\$'000	HK\$'000
Interim:				
First	4.0	4.5	28,308	32,005
Second	20.0	-	141,552	-
Proposed final	-	13.5	-	95,547
	24.0	18.0	169,860	127,552



Notes to Financial Statements

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\$232,133,000 (2002: HK\$237,338,000) and the weighted average number of 707,758,412 (2002: 707,661,541) ordinary shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share for the year ended 31 December 2003 has not been disclosed as no diluting events existed during the year.

The calculation of diluted earnings per share for the year ended 31 December 2002 has not been shown as the CPS 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

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Cash and balances with banks and other financial institutions	56,132	76,608	697	177
Money at call and short notice	1,197,089	1,368,004	1,045,233	648,275
	1,253,221	1,444,612	1,045,930	648,452

The Group's money at call and short notice includes fixed deposits placed with the ultimate holding company of HK\$858,606,000 (2002: HK\$161,587,000).

Certain of the Company's money at call and short notice, amounting to HK\$38,000,000 (2002: Nil), 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 (2002: HK\$5,000,000), were pledged to a bank for credit facilities of HK\$5,000,000 (2002: HK\$5,000,000) granted to the Group. The credit facilities were not utilised during the year (2002: Nil).

The Group's placements with banks, amounting to HK\$151,899,000 (2002: HK\$123,368,000), were placed with the ultimate holding company.

Certain of the Company's placements with financial institutions, amounting to HK\$261,853,000 (2002: HK\$479,706,000), were placed with JCG Finance.



Notes to Financial Statements

17. OTHER ASSETS

	Notes	Group		Company	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
			(Restated)		
Inventories	18	31,816	37,674	-	-
Interest receivable from banks		130	719	433	1,432
Tax recoverable		9,533	15,827	-	-
Other debtors, deposits and prepayments		141,047	130,388	156	145
Deferred expenditure		2,761	5,984	-	-
Intangible asset	23	152	177	-	-
Deferred tax assets	30	33,975	33,323	-	-
		219,414	224,092	589	1,577

Other assets are shown net of provisions.

Included in other debtors, deposits and prepayments were HK\$78,416,000 (2002: HK\$89,147,000), 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\$24,685,000 (2002: HK\$28,051,000).

As the trade receivables were immaterial to the Group, the maturity profile thereof has not been disclosed.

Included in interest receivable from banks was HK\$117,000 (2002: HK\$223,000) for deposits placed with the ultimate holding company.

18. INVENTORIES

Included in the inventories were taxi licences and taxi cabs amounting to HK\$31,816,000 (2002: HK\$37,674,000).

None of the inventories of the Group were carried at net realisable value as at the balance sheet date (2002: Nil).

19. LONG TERM INVESTMENT

	Group	
	2003 HK\$'000	2002 HK\$'000
At beginning of year	7,889	9,540
Movement in market value	5,676	(1,651)
Listed equity investment in Hong Kong, at market value	13,565	7,889

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



Notes to Financial Statements

20. INVESTMENT PROPERTIES

	Group	
	2003 HK\$'000	2002 HK\$'000
Balance at beginning of year	60,080	73,602
Transfer to land and buildings	(1,960)	(9,500)
Revaluation deficit	(690)	(4,022)
Balance at end of year	57,430	60,080

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

	Group 2003 HK\$'000
At valuation:	
Medium term leases	34,430
Long term leases	23,000
	57,430

Investment properties with a carrying amount of HK\$58,120,000 were revalued on 31 December 2003 at HK\$57,430,000 by Chung Sen Surveyors Limited, an independent professionally qualified valuer, on an open market value based on their existing use. A revaluation deficit of HK\$690,000 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 35.

Certain of the above investment properties were pledged to secure banking facilities granted to the Group at the balance sheet date (note 39).

21. INTERESTS IN SUBSIDIARIES

	Company	
	2003 HK\$'000	2002 HK\$'000
Shares at cost:		
Listed:		
Hong Kong	-	584,366
Unlisted:	1,353,811	1,056,851
	1,353,811	1,641,217
Market value of listed shares	-	210,388



Notes to Financial Statements

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	33,394,993	100	–	Investment holding
Eternal Success Company Limited	20	–	100	Property holding
Winsure Company, Limited	1,600,000	–	96.9	Dormant
Winton (B.V.I.) Limited	61,773	–	100	Investment and property holding
Winton Financial Limited	4,000,010	–	100	Provision of financing for licensed public vehicles and provision of personal and short term loans
Winton Financial (Factoring) Limited	1,000,000	–	100	Provision of financing for licensed public vehicles
Winton Investment Company (China) Limited	1,000,000	–	100	Investment holding, trading of taxi cabs and taxi licences, and leasing of taxis
Winton Motors, Limited	78,000	–	100	Trading of taxi cabs and taxi licences, and leasing of taxis
Winton Motors Trading Company Limited	2	–	100	Dormant
Winton Trading Company Limited	20	–	100	Trading of taxi cabs and taxi licences, and leasing of taxis

Note: 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 and principally operate in Hong Kong.



Notes to Financial Statements

22. INTEREST IN AN ASSOCIATE

	Group	
	2003 HK\$'000	2002 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
			2003	2002	
ZKW Enterprise (Group) Co., Ltd., Zhuhai Special Economic Zone	Corporate	The People's Republic of China	40.0	28.3	Investment holding, general trading and automobile repairs centre

23. INTANGIBLE ASSETS

	Group	
	2003 HK\$'000	2002 HK\$'000
Cost:		
At beginning and end of year	252	252
Accumulated amortisation:		
At beginning of year	75	50
Provided during the year	25	25
Balance at end of year	100	75
Net book value at end of year	152	177



Notes to Financial Statements

24. NEGATIVE GOODWILL

The amount of negative goodwill recognised in the consolidated balance sheet, arising from the acquisition of interests in subsidiaries, is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Carrying amount:		
At beginning of year	–	–
Increase in interest in a subsidiary	92,163	–
Balance at end of year	92,163	–
Accumulated amortisation:		
At beginning of year	–	–
Provided during the year	18,433	–
Balance at end of year	18,433	–
Net book value at end of year	73,730	–

25. FIXED ASSETS

	Group				Company
	Leasehold land and buildings HK\$'000	Leasehold improvements, furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000	Leasehold land and buildings HK\$'000
Cost or carrying amount:					
At 1 January 2003	321,290	75,137	2,746	399,173	–
Additions	32,715	1,725	–	34,440	32,715
Transfer from investment properties	1,960	–	–	1,960	–
Disposals	–	(928)	–	(928)	–
At 31 December 2003	355,965	75,934	2,746	434,645	32,715
Accumulated depreciation:					
At 1 January 2003	32,422	68,079	2,157	102,658	–
Provided during the year	5,067	4,307	295	9,669	61
Disposals	–	(814)	–	(814)	–
At 31 December 2003	37,489	71,572	2,452	111,513	61
Net book value:					
At 31 December 2003	318,476	4,362	294	323,132	32,654
At 31 December 2002	288,868	7,058	589	296,515	–



Notes to Financial Statements

25. FIXED ASSETS (Continued)

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

	Group 2003 HK\$'000	Company 2003 HK\$'000
At cost:		
Medium term leases	109,525	–
Long term leases	246,440	32,715
	355,965	32,715

Certain of the above leasehold land and buildings were pledged to secure banking facilities granted to the Group (note 39).

26. 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 2003 HK\$'000	2002 HK\$'000
Aggregate amount of principal and interest outstanding at the end of year	2,109	2,317
Maximum aggregate amount of principal and interest outstanding during the year	2,317	3,556

27. 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 2003 HK\$'000	2002 HK\$'000
Repayable:		
On demand	4,026	6,420
Three months or less	997,420	1,340,982
One year or less but over three months	300,468	330,239
Five years or less but over one year	7,430	96,695
	1,309,344	1,774,336

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



Notes to Financial Statements

28. OTHER LIABILITIES

	Notes	Group		Company	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
			(Restated)		
Creditors, accruals and interest payable		77,687	66,854	771	438
Amount due to the ultimate holding company		338	38	-	-
Declared second interim dividend	13	141,552	-	141,552	-
Tax payable		-	-	-	169
Provision for long service payments	29	4,385	4,611	-	-
Deferred tax liabilities	30	15,503	22,229	-	-
		239,465	93,732	142,323	607

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

29. PROVISION FOR LONG SERVICE PAYMENTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Balance at beginning of year	4,611	4,575
Movement during the year	(226)	36
Balance at end of year	4,385	4,611

The Group provides for the probable future long service payments expected to be made to employees under the Employment Ordinance of Hong Kong, as further explained under the heading "Employment Ordinance long service payments" in note 3.



Notes to Financial Statements

30. DEFERRED TAX

The movement in deferred tax assets and liabilities during the year is as follows:

Group

Deferred tax assets:

	At 1 January 2003 HK\$'000	Prior year adjustment HK\$'000	At 1 January 2003 HK\$'000	Deferred tax (charged)/credited to the profit and loss account (Note) HK\$'000	At 31 December 2003 HK\$'000
	(As previously reported)		(Restated)		
General provision for bad and doubtful debts	-	33,323	33,323	(1,598)	31,725
Losses available for offset against future taxable profit	-	-	-	2,250	2,250
	-	33,323	33,323	652	33,975

Deferred tax liabilities:

	At 1 January 2003 HK\$'000	Prior year adjustment HK\$'000	At 1 January 2003 HK\$'000	Deferred tax charged/(credited) to the profit and loss account (Note) HK\$'000	At 31 December 2003 HK\$'000
	(As previously reported)		(Restated)		
Interest receivable that will be taxable only when received	9,630	-	9,630	(3,230)	6,400
Accelerated tax depreciation and revaluation of investment properties	-	6,060	6,060	940	7,000
Prepaid expense deducted from taxable profits in earlier years and others	3,200	2,538	5,738	(5,405)	333
Tax benefit arising from investment in partnership	801	-	801	969	1,770
	13,631	8,598	22,229	(6,726)	15,503



Notes to Financial Statements

30. DEFERRED TAX (Continued)

Group

Deferred tax assets:

	At 1 January 2002 HK\$'000	Prior year adjustment HK\$'000	At 1 January 2002 HK\$'000	Deferred tax (charged)/credited to the profit and loss account (Note) HK\$'000	At 31 December 2002 HK\$'000
	(As previously reported)		(Restated)		(Restated)
General provision for bad and doubtful debts	-	32,900	32,900	423	33,323

Deferred tax liabilities:

	At 1 January 2002 HK\$'000	Prior year adjustment HK\$'000	At 1 January 2002 HK\$'000	Deferred tax charged/(credited) to the profit and loss account (Note) HK\$'000	At 31 December 2002 HK\$'000
	(As previously reported)		(Restated)		(Restated)
Interest receivable that will be taxable only when received	9,690	-	9,690	(60)	9,630
Accelerated tax depreciation and revaluation of investment properties	-	5,543	5,543	517	6,060
Prepaid expense deducted from taxable profits in earlier years and others	-	2,632	2,632	3,106	5,738
Tax benefit arising from investment in partnership	-	-	-	801	801
	9,690	8,175	17,865	4,364	22,229

Note: Including a charge of HK\$1,278,000 (2002: Nil) due to an increase in opening deferred tax resulting from an increase in tax rate (note 11).

The Group has tax losses arising in Hong Kong of HK\$14,752,000 (2002: HK\$38,053,000) that are available indefinitely for offsetting against future taxable profits of the companies in which losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

There are no significant income tax consequences attaching to the payment of dividends by the Company to its shareholders.

SSAP 12 (revised) was adopted during the year, as further explained in note 2. This change in accounting policy has resulted in an increase in the Group's net deferred tax asset as at 31 December 2003 and 2002 by HK\$24,725,000. As a consequence, the consolidated retained profits as at 1 January 2003 and 2002 have been increased by HK\$24,725,000, as detailed in the consolidated summary statement of changes in equity and note 33.



Notes to Financial Statements

31. SHARE CAPITAL

	2003 HK\$'000	2002 HK\$'000
Ordinary shares		
Authorised: 1,000,000,000 (2002: 1,000,000,000) ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid: 707,758,412 (2002: 707,758,412) ordinary shares of HK\$0.10 each	70,776	70,776

32. SHARE OPTION SCHEMES

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

(a) Share option scheme of the Company ("JCG Scheme")

Since the adoption of the JCG Scheme on 28 February 2002, no options to subscribe for shares in the Company have been granted to any eligible participants, including directors or their respective associates or employees of the Company, its holding company or any of its subsidiaries and associate.

(b) Share option scheme of Winton ("Winton Scheme")

Since the adoption of the Winton Scheme on 28 February 2002, no options to subscribe for ordinary shares in Winton 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 associate. The Winton Scheme was terminated by the board of directors of Winton on 24 November 2003.

(c) Summary of JCG Scheme

- Purpose : To attract, retain and motivate talented eligible participants.
- Participants : Eligible participants include:
- (i) any employee and director of the Company or any subsidiary or any associate or controlling shareholder;
 - (ii) any discretionary trust whose discretionary objects include person(s) belonging to the aforesaid participants;
 - (iii) a company beneficially owned by person(s) belonging to the aforesaid participants; and
 - (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.
- Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of this annual report : 70,775,841 ordinary shares and 10% of the issued share capital.



Notes to Financial Statements

32. SHARE OPTION SCHEMES (Continued)

(c) Summary of JCG Scheme (Continued)

Maximum entitlement of each participant	:	Shall not exceed 1% of the ordinary shares of the Company in issue in the 12-month period up to and including the date of grant.
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.
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.
Amount payable on acceptance	:	HK\$1.00
Basis of determining the exercise price	:	Determined by the 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 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

33. RESERVES

Group	Share	Capital	Contributed	Capital	Translation	Long term	Retained	Total
	premium	redemption				investment		
	account	reserve	surplus	reserve	reserve	reserve	profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
							(Restated)	(Restated)
At 1 January 2002								
As previously reported	1,206,400	829	96,116	85,567	428	9,277	1,630,884	3,029,501
Prior year adjustment (note 30)	-	-	-	-	-	-	24,725	24,725
As restated	1,206,400	829	96,116	85,567	428	9,277	1,655,609	3,054,226
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)
At 31 December 2002 and 1 January 2003 (Restated)								
	1,209,593	829	96,116	55,033	428	7,626	1,765,395	3,135,020
At 31 December 2002 and 1 January 2003								
As previously reported	1,209,593	829	96,116	55,033	428	7,626	1,740,670	3,110,295
Prior year adjustment (note 30)	-	-	-	-	-	-	24,725	24,725
As restated	1,209,593	829	96,116	55,033	428	7,626	1,765,395	3,135,020
Movement in the market value (note 19)	-	-	-	-	-	5,676	-	5,676
Gain on redemption of minority interests, net of loss on diluted shareholding of a subsidiary	-	-	-	30,536	-	-	-	30,536
Interim dividend for 2003 (note 13)	-	-	-	-	-	-	(169,860)	(169,860)
Profit for the year	-	-	-	-	-	-	232,133	232,133
At 31 December 2003								
	1,209,593	829	96,116	85,569	428	13,302	1,827,668	3,233,505
Reserves retained by:								
Company and subsidiaries	1,209,593	829	96,116	85,569	-	13,302	1,827,668	3,233,077
Associates	-	-	-	-	428	-	-	428
At 31 December 2003								
	1,209,593	829	96,116	85,569	428	13,302	1,827,668	3,233,505
Company and subsidiaries								
As previously reported	1,209,593	829	96,116	55,033	-	7,626	1,740,670	3,109,867
Prior year adjustment (note 30)	-	-	-	-	-	-	24,725	24,725
As restated	1,209,593	829	96,116	55,033	-	7,626	1,765,395	3,134,592
Associates	-	-	-	-	428	-	-	428
At 31 December 2002								
	1,209,593	829	96,116	55,033	428	7,626	1,765,395	3,135,020



Notes to Financial Statements

33. 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 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)
At 31 December 2002 and 1 January 2003	1,209,593	829	194,524	-	-	-	1,199,076	2,604,022
Expenses for redemption of shares of a subsidiary	-	-	(348)	-	-	-	-	(348)
Interim dividend for 2003 (note 13)	-	-	-	-	-	-	(169,860)	(169,860)
Profit for the year	-	-	-	-	-	-	199,823	199,823
At 31 December 2003	1,209,593	829	194,176	-	-	-	1,229,039	2,633,637

The contributed surplus of the Group represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group's 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's 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 2003 were positive goodwill of HK\$98,406,000 (2002: HK\$98,406,000), which arose from acquisition of subsidiaries in prior years and negative goodwill of HK\$85,569,000 (2002: HK\$55,033,000), which arose from initial acquisition of Winton in prior years respectively. Negative goodwill which arose from completion of the privatisation of Winton in current year was accounted for in the balance sheet in accordance with SSAP 30. The increase in the capital reserve during the year arose from the reversal of the prior year's net loss arising from the temporary dilution of Group's shareholding in Winton following the completion of the privatisation of Winton in current year.

The listing status of Winton's ordinary shares was withdrawn from the Stock Exchange on 27 March 2003. Following the redemption of minority interests of Winton, the net loss arising from the temporary dilution of the Group's shareholding in Winton in the prior year together with any gains arising on completion of the privatisation of Winton in March 2003 are accounted for as negative goodwill in the year of 2003.



Notes to Financial Statements

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Profit before tax	259,463	265,259
Depreciation	9,669	9,859
Loss on disposal of fixed assets	114	137
Loss on purchase of additional interest in a subsidiary	–	462
Decrease in provisions for bad and doubtful debts	(23,368)	(2,887)
Dividends from listed investments	(491)	(266)
Amortisation of negative goodwill	(18,433)	–
Amortisation of intangible asset	25	25
Amortisation and write off of commission expenses	3,444	3,287
Gain on disposal of an associate	–	(3,557)
Deficit on revaluation of investment properties	690	4,022
Increase in other debtors, deposits, prepayments and interest receivable from banks	(24,214)	(1,178)
Increase /(decrease) in creditors, accruals and interest payable	10,833	(22,785)
(Decrease)/increase in provision for long service payments	(226)	36
Increase/(decrease) in amount due to the ultimate holding company	300	(6)
Decrease/(increase) in inventories	5,858	(19,374)
Increase in deferred expenditure	(221)	(9,014)
Decrease in interest-bearing bank borrowings	–	(200,000)
Hong Kong profits tax paid	(14,400)	(46,156)
Net cash from/(used in) trading activities	209,043	(22,136)
(Decrease)/increase in customer deposits	(464,992)	740,790
Decrease in loans and advances	363,589	240,067
Net cash flows from operating activities	107,640	958,721



Notes to Financial Statements

35. OPERATING LEASE ARRANGEMENTS

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

As at 31 December 2003, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	5,755	4,431
In the second to fifth years, inclusive	4,406	2,907
	10,161	7,338

- (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 2003, the Group had total future minimum lease rental payables under non-cancellable operating leases falling due as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	15,564	16,493
In the second to fifth years, inclusive	9,263	10,214
	24,827	26,707

36. COMMITMENTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Capital commitments:		
Contracted for, but not provided in the financial statements	28	125

The Company had no material outstanding commitments at the balance sheet date (2002: Nil).



Notes to Financial Statements

37. UNDRAWN LOAN FACILITIES

	Group			
	2003	Risk weighted amount	2002	Risk weighted amount
	Contractual amount HK\$'000	HK\$'000	Contractual amount HK\$'000	HK\$'000
Undrawn loan facilities with an original maturity of under one year or which are unconditionally cancellable, granted by JCG Finance to customers (excluding a subsidiary)	6,444	-	9,112	-

38. CONTINGENT LIABILITIES

	Group		Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees under the co-financing arrangements given to the ultimate holding company	-	770	-	-

During the year, no derivative activities were transacted (2002: Nil).

39. ASSETS PLEDGED AS SECURITY

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

- (i) A placement with a bank amounting to HK\$5,000,000 (2002: HK\$5,000,000) (note 16);
- (ii) A first legal charge on certain leasehold land and buildings of the Group with an aggregate carrying amount of approximately HK\$44,292,000 (2002: HK\$45,618,000) (note 25); 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 (2002: HK\$23,000,000) (note 20).

The Group's banking facilities had not been utilised during the year.



Notes to Financial Statements

40. 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	
		2003 HK\$'000	2002 HK\$'000
Commission income from the ultimate holding company for referrals of taxi financing loans	(a)	9,975	9,596
Interest paid to a fellow subsidiary for unsecured revolving credit facilities	(b)	–	1,084
Interest income from a fellow subsidiary	(b)	–	1,435
Interest income from the ultimate holding company	(c)	8,978	3,138
Rental income from the ultimate holding company	(d)	807	762
Management fees from the ultimate holding company	(e)	206	198

Notes:

(a) The commission income of HK\$9,975,000 (2002: HK\$9,596,000) received from referrals of floating rate taxi financing loans to Public Bank was determined based on market practice.

(b) In the prior year, Public Bank (L) Ltd granted unsecured revolving credit facilities to the Group for an aggregate amount of HK\$800,000,000. The Group did not request for the facility to be renewed upon its expiry. The facility was utilised to the extent of HK\$200,000,000 during prior year and were fully repaid before the maturity dates.

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 and were withdrawn before 31 December 2002.

(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;

(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; and

(iii) Public Bank, Hong Kong Branch as its branch office for a term of three years commencing on 1 November 2003 at a monthly rental of HK\$150,000.

(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.

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.



Notes to Financial Statements

41. COMPARATIVE FIGURES

As further explained in note 2, due to the adoption of revised SSAP during the current year, the accounting treatment and presentation of certain items on the financial statements and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative figures have been restated after prior year adjustments. Also, certain comparative figures have been reclassified to conform with the current year's presentation.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 14 January 2004.



Supplementary Information (Unaudited)

Advances to customers by industry sectors and basis of classification

	Gross advances to customers	
	2003 HK\$'000	2002 HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial:		
– Property development	–	12,715
– Property investment	60,499	50,287
– Wholesale and retail trade	293	246
– Manufacturing	1,617	2,303
– Licensed public vehicles	607,454	723,784
– Others	2,925	5,508
Individuals:		
– Loans for the purchase of residential properties	30,627	44,803
– Credit card advances	–	6,560
– Others	2,348,640	2,530,358
Loans for use outside Hong Kong	81,406	89,664
	3,133,461	3,466,228

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.

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.



Supplementary Information (Unaudited)

Corporate governance (Continued)

Credit Committee

The Credit Committee is responsible for making decision on loan 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. Two 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 2003.



Supplementary Information (Unaudited)

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 the Group performs regular audits to ensure compliance with the policies and reports directly to the Audit Committee.

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.

The Group has established policies and systems for the monitoring and control of credit risk. The Credit Committee of JCG Finance 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 of the Group is responsible for appraising the effectiveness of credit controls. The Group continues to maintain a tight control on 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 of JCG Finance 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, the Group did not trade in any market risk including currency risk related financial instruments. The market risk including currency risk exposure of the Group arising from both on and off balance sheet activities was considered immaterial. Accordingly, quantitative market risk including currency risk information is not disclosed.

Liquidity management

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

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

The Group 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 funding position is monitored and reviewed regularly to ensure it is within internally established limits and at reasonable costs.



Supplementary Information (Unaudited)

Capital adequacy and liquidity ratios

	2003 Unadjusted ratio	2002 Unadjusted ratio
Capital adequacy ratio as at 31 December	43.17%	38.96%
Average liquidity ratio for the year	96.80%	127.17%

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

	2003 HK\$'000	2002 HK\$'000
Core capital:		
Paid up ordinary share capital	258,800	258,800
Share premium account	412,238	412,238
Reserves (eligible for inclusion in core capital)	576,636	557,420
	1,247,674	1,228,458
Eligible supplementary capital:		
Reserve on revaluation of securities not held for trading purposes	9,311	5,338
General provisions for doubtful debts	39,038	42,634
	48,349	47,972
Total capital base before deductions	1,296,023	1,276,430
Deductions from total capital base	(10)	(10)
Total capital base after deductions	1,296,013	1,276,420

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 Risks" 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.



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an annual general meeting of shareholders of JCG Holdings Limited (the "Company") will be held at Aberdeen Room, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 25 March 2004 at 10:00 a.m. for the following purposes:

As Ordinary Business:

1. To receive and consider the audited financial statements and the reports of the directors and the auditors for the year ended 31 December 2003.
2. To re-elect directors and to authorise the Board of Directors to fix directors' remuneration.
3. To re-appoint Messrs. Ernst & Young as auditors and to authorise the Board of Directors to fix their remuneration.

As Special Business:

Ordinary Resolutions

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

"THAT:

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

"Relevant Period" means the period from the date of the passing of this Resolution until whichever is the earliest of:

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

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to the holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of



Notice of Annual General Meeting

such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restriction or obligation under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

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

“THAT:

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

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

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

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

“THAT, subject to the passing of Ordinary Resolutions Nos.4 and 5 as set out in this notice of annual general meeting, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot shares be and is hereby extended by the additions to the aggregate nominal amount of share capital which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of shares in the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No.5 set out in this notice of annual general meeting, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution.”

Special Resolution

7. To consider and, if thought fit, pass the following resolution as a Special Resolution:

“THAT the Bye-laws of the Company be amended in the following manner:

- (a) Bye-law 1
 - (i) by deleting the interpretation of “Hong Kong” in its entirety and substituting therefor a new interpretation as follows:

“Hong Kong” shall mean the Hong Kong Special Administrative Region of The People’s Republic of China;



Notice of Annual General Meeting

- (ii) by deleting the words “any stock exchange in Hong Kong” in line 3 of the interpretation of “relevant territories” and substituting therefor the words “the Stock Exchange”; and
- (iii) by deleting the interpretation of “clearing house” in its entirety and substituting therefor a new interpretation as follows:

“clearing house” shall mean a recognised clearing house within the meaning of Schedule 1 of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) or a clearing house recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction;

(b) Bye-law 39

- (i) by replacing the word “Commissioner” wherever it appears with the words “Monetary Authority”;
- (ii) by deleting Bye-law 39(B)(iii)(c) in its entirety and substituting therefor a new Bye-law 39(B)(iii)(c) as follows:

“Monetary Authority” means, for so long as the Company is the holding company of an authorised institution, the Monetary Authority appointed under section 5A of the Exchange Fund Ordinance (Cap. 66 of the laws of Hong Kong);

- (iii) by deleting the words “Part II” in line 4 of Bye-law 39(B)(iii)(d) and substituting therefor the words “Division 3”;
- (iv) by deleting Bye-law 39(B)(iii)(g) in its entirety and substituting therefor a new Bye-law 39(B)(iii)(g) as follows:

“Ordinance” means the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) in the form enacted and became effective on 1 April 2003 and notwithstanding any repeal, modification or re-enactment thereof after that date;

- (v) by deleting the words “(within the meaning of section 8(3) of the Ordinance)” in line 6 of Bye-law 39(B)(iii)(h)(vi); and
- (vi) by deleting the words “section 2” in line 3 of Bye-law 39(B)(iii)(j) and substituting therefor the words “Schedule 1”;

(c) Bye-law 48

by deleting the words “The Stock Exchange of Hong Kong Limited” in line 1 and line 14 of Bye-law 48(B)(iii) and substituting therefor the words “the Stock Exchange”;

(d) Bye-law 81

- (i) by inserting the words “or (being a clearing house) is present by a representative or representatives” immediately after the word “representative” in line 9 of Bye-law 81; and
- (ii) by inserting “/representing” immediately after the word “holder” in line 11 of Bye-law 81;



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(e) Bye-law 119

by deleting the sentence "A Director or any member of a committee of the Directors may participate in a meeting of the board or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other." in line 11 of Bye-law 119(A) and substituting therefor the sentence "A Director/Directors may participate in any meeting of the board/board committee by means of telephone conference, electronic or other communication equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.";

(f) Bye-law 120

by inserting the words "facsimile or" and "or number" immediately before the word "telex" and after the word "address" respectively, both in line 4 of Bye-law 120;

(g) Bye-law 130

by deleting the sentence "If the secretary appointed is a corporation or other body, it may act and sign by the hand of any one or more of its directors or officers duly authorised." in line 11 of Bye-law 130; and

(h) Bye-law 160

by deleting the words "stock exchange in Hong Kong which, in the opinion of the Directors, is the principal stock exchange in Hong Kong" in line 9 of Bye-law 160 and substituting therefor the words "Stock Exchange."

By Order of the Board
Tan Yoke Kong
Company Secretary

Hong Kong, 14 January 2004

Notes:

1. The register of members will be closed from Monday, 22 March 2004 to Thursday, 25 March 2004, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 19 March 2004.
2. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. In order to be valid, proxies in the prescribed form must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, no later than forty-eight hours before the time fixed for holding the meeting.
3. Concerning Resolution No.4 of this notice, approval is being sought from members for a general mandate to authorise allotment of shares in the capital of the Company in order to give flexibility to the directors in the event it becomes desirable to issue any additional shares of the Company. The directors have no immediate plan to issue any new shares of the Company pursuant to such approval.
4. Concerning Resolution No.5 of this notice, approval is being sought from members for a general mandate to be given to the directors to repurchase shares.
5. Concerning Resolution No.6 of this notice, approval is being sought from members for an extension of the general mandate sought to be granted to the directors of the Company to allot shares by adding to it the number of shares which shall have been repurchased under the authority granted pursuant to Resolution No.5 of this notice.
6. An explanatory statement containing the information regarding Resolution No.5 of this notice will be sent to members together with the Company's 2003 annual report.