

Chairman's Statement



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

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

GROUP PERFORMANCE

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

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

The 22.3% growth in profit of the Group was mainly attributed to the continued growth in profit after tax from its wholly-owned subsidiary, JCG Finance Company, Limited ("JCG Finance"), and the turnaround of its 75% owned subsidiary, Winton Holdings (Bermuda) Limited ("Winton") and its subsidiaries ("Winton Group"). For the year ended 31 December 2000, Winton Group rebounded sharply from a loss of HK\$65.6 million in 1999, to a profit after tax and minority interests of HK\$4.9 million.

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

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

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

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

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

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

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

BUSINESS DEVELOPMENT

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

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

HUMAN RESOURCES DEVELOPMENT

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

SYSTEM DEVELOPMENT

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

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

PROSPECTS

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

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

ACKNOWLEDGEMENT

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

Tan Sri Dato' Dr. Teh Hong Piow

Chairman