

## Report of the Directors

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

### PRINCIPAL ACTIVITIES

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

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

### SEGMENTAL INFORMATION

#### (a) By geographical area

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

#### (b) By class of business

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

#### Types of business

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

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

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

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

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

## **QUALITATIVE INFORMATION ON MANAGEMENT OF RISKS**

### **Credit risk**

Credit risk is the risk associated with a customer or counterparty being unable to meet a commitment when it falls due, and arises from the lending activities undertaken.

JCG Finance, a wholly-owned subsidiary, has established policies and systems for the monitoring and control of credit risk. The Credit Committee is responsible for the formulation of credit policies and management of credit risk through reviews of regular reports on credit exposures, which include exposure limits and the level of bad debt provisions. JCG Finance maintains a tight control on loan assessments and approvals and will continue to pursue a conservative and prudent policy in granting loans in order to maintain a quality loan portfolio.

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

## **Market risk**

Market risk is the risk associated with changes in interest rates, foreign exchange rates, equity prices and commodity prices, and the effect such changes have on positions taken on market risk related financial instruments, including both on and off balance sheet instruments, which may result in profits or losses.

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

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

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

## **Liquidity management**

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

The Group monitors its liquidity position as part of its ongoing assets and liabilities management. The balance between liquidity and profitability is carefully considered.

## **Capital management**

The Group encourages its subsidiaries to be independent and self-reliant on funding their business growth.

JCG Finance relies principally on its internally generated capital, and customer deposits. JCG Finance adopts a prudent policy in capital management and manages its deposits in line with its loan growth.

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

## CAPITAL ADEQUACY AND LIQUIDITY RATIOS

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

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

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

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

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

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

## RESULTS AND DIVIDENDS

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

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

## **SUMMARY OF FINANCIAL INFORMATION**

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 7.

## **FIXED ASSETS AND INVESTMENT PROPERTIES**

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

## **SUBSIDIARIES**

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

## **ASSOCIATES**

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

## **BANK BORROWINGS**

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

## **SHARE CAPITAL AND SHARE OPTIONS**

Details of movements in the Company's share capital and share options during the year, together with reasons therefor, are set out in note 29 to the financial statements.

## **PRE-EMPTIVE RIGHTS**

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

## **ISSUE OF CONVERTIBLE PREFERENCE SHARES BY A SUBSIDIARY**

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

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

## **RESERVES**

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements.

## **DISTRIBUTABLE RESERVES**

At 31 December 2000, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$403,578,000 as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account in the amount of approximately HK\$1,206,157,000 may be distributed in the form of fully paid bonus shares.

## **CHARITABLE CONTRIBUTIONS**

During the year, the Group made charitable and other donations totalling HK\$18,900.

## **POST BALANCE SHEET EVENTS**

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

## **MAJOR CUSTOMERS AND SUPPLIERS**

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

## COMPLIANCE WITH FINANCIAL DISCLOSURE BY LOCALLY INCORPORATED AUTHORISED INSTITUTIONS

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

### DIRECTORS

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

#### Non-executive directors:

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

#### Executive directors:

Tan Yoke Kong  
Lee Huat Oon

#### Independent non-executive directors:

Cheah Cheng Hye  
Geh Cheng Hooi, Paul

In accordance with the bye-laws of the Company, Mr. Cheah Cheng Hye and Mr. Tan Yoke Kong retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

### DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Name	Age	Position held	Number of years of service with the Group	Business experience
Tan Sri Dato' Dr. Teh Hong Piow	70	Chairman	11	He is the founder, president and controlling shareholder of Public Bank Berhad ("Public Bank"), which is the controlling shareholder of the Group. Tan Sri Dato' Dr. Teh has been in the banking industry for more than 51 years. He is also the Chairman of Winton.
Tan Yoke Kong	48	Director/ Chief Executive	10	He has more than 19 years' experience in the banking sector. He is also a director of Winton.

Datuk Tay Ah Lek	58	Non-executive Director	6	He is the Executive Director of Public Bank and a director of Winton and has more than 36 years' experience in the banking and financial sector.
Lee Huat Oon	38	Director/ Alternate Chief Executive	6	He has more than 13 years' experience in the banking sector. He is also a director of Winton.
Wong Kong Ming	47	Non-executive Director	5	He is the General Manager of Public Bank, Hong Kong Branch and has more than 25 years' experience in the banking sector. He is also a director of Winton.
Cheah Cheng Hye	46	Independent Non-executive Director	7	He has more than 11 years' experience in the financial sector, prior to which he worked as a financial journalist for 12 years. He is also an Independent Non-executive Director of Winton.
Geh Cheng Hooi, Paul	66	Independent Non-executive Director	6	He is a consultant with KPMG, Malaysia. Prior to this, Mr Geh was with KPMG for 29 years and was the Senior Partner thereof. He is also an Independent Non-executive Director of Winton.

## **EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS**

Details of the emoluments of the directors and those of the five highest paid individuals in the Group are set out in notes 8 and 9 to the financial statements, respectively.

## **DIRECTORS' SERVICE CONTRACTS**

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



## DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in the details of the transactions included in note 35 to the financial statements and in the section headed "Connected transactions" below, no director had a beneficial interest, whether direct or indirect, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries and fellow subsidiaries was a party at the balance sheet date or at any time during the year.

## DIRECTORS' INTERESTS IN SHARES

- (1) At the balance sheet date, the interests of the directors in the share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Interests in	Name of director	Number of ordinary shares	
		Corporate interests	Personal interests
1. The Company	Tan Sri Dato'		
	Dr. Teh Hong Piow	391,582,110	-
	Cheah Cheng Hye	-	10,000
	Tan Yoke Kong	-	90,000
2. Public Bank, the ultimate holding company	Tan Sri Dato'		
	Dr. Teh Hong Piow	786,926,000	210,000
	Datuk Tay Ah Lek	133,000	136,000
	Wong Kong Ming	-	89,860
3. Public Finance Berhad, a fellow subsidiary	Tan Sri Dato'		
	Dr. Teh Hong Piow	187,319,051	16,500
	Datuk Tay Ah Lek	2,349	1,650
4. Winton, a subsidiary	Tan Sri Dato'		
	Dr. Teh Hong Piow	314,999,925	-

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

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

Tan Sri Dato' Dr. Teh Hong Piow, by virtue of his interest in Public Bank, is also deemed to be interested in the non wholly-owned subsidiaries of Public Bank and of Winton, to the extent of Public Bank's or Winton's interests in them, respectively. These non wholly-owned subsidiaries have not been itemised on the basis that they are not material in the context of the Group and the list is of excessive length.

- (2) At the balance sheet date, the interests of the directors in any rights to subscribe for shares in the Company and its associated corporations as recorded in the register required to be kept under Section 29 of the SDI Ordinance were as follows:

<b>Interests in</b>	<b>Notes</b>	<b>Name of director</b>	<b>Options granted in prior years</b>	<b>Options exercised during the year</b>	<b>Options not yet exercised</b>
1. The Company	(i)	Tan Yoke Kong	150,000	-	150,000
	(i)	Lee Huat Oon	136,000	-	136,000
2. Public Bank	(ii)	Tan Sri Dato' Dr. Teh Hong Piow	250,000	-	250,000
	(ii)	Datuk Tay Ah Lek	175,000	-	175,000
	(ii)	Wong Kong Ming	37,500	37,500	-

Notes:

- (i) The options to subscribe for ordinary shares of HK\$0.10 each in the Company were granted on 20 June 1997 under the Company's Share Option Scheme for Employees duly approved on 20 March 1997. 50% of the options are exercisable commencing from two years after 5 July 1997 and the remaining 50% of the options are exercisable commencing from three years after 5 July 1997, and the last day to exercise the options is 4 July 2002. The subscription price of the options is HK\$4.77 per share.
- (ii) The options to subscribe for ordinary shares of RM0.50 each in Public Bank were granted on 10 April 1998 under its Employees' Share Option Scheme. The options are exercisable from 10 April 1998 to 24 February 2003, subject to the terms of the Employees' Share Option Scheme, at a subscription price of RM1.66 per share.

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

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

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Apart from the share option schemes noted above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Further details of the Company's share option scheme are set out in note 29 to the financial statements.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

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

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

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

## **SUBSTANTIAL SHAREHOLDERS**

At the balance sheet date, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that Public Bank held a beneficial interest in 391,582,110 ordinary shares of HK\$0.10 each in the Company, representing approximately a 55.4% shareholding.

By virtue of his interest in Public Bank, Tan Sri Dato' Dr. Teh Hong Piow is deemed to be interested in the shares of the Company to the extent that Public Bank has an interest.

Save as disclosed above, the directors of the Company are not aware of any person who is, directly or indirectly, interested in 10% or more of the issued share capital of the Company or any rights to subscribe for shares in respect of such capital.

## **CONNECTED TRANSACTIONS**

- (1) On 23 July 1997, a tenancy agreement was made between JCG Finance as the landlord and Public Bank as the tenant whereby JCG Finance agreed to lease an apartment located in Taikoo Shing, Hong Kong to Public Bank as its staff quarters for a term of two years commencing on 1 August 1997 (the "Tenancy Agreement"). The Tenancy Agreement was renewed by entering into a new agreement on 26 July 1999 for a term of three years commencing from 1 August 1999 to 31 July 2002 at a monthly rental of HK\$22,000.

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

- (2) The Group's subsidiaries, Winton Financial Limited ("WFL") and Winton Financial (Factoring) Limited ("WFFL") entered into agreements with Public Bank, and WFFL entered into an agreement with JCG Finance, for the joint provision of hire purchase financing to purchasers of taxis and public light buses (the "Co-Financing Arrangements"). The terms of the Co-Financing Arrangements with Public Bank and JCG Finance are essentially the same as those which the Group has with other co-financing banks.

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

- (3) Winton and the Company had been granted a conditional waiver by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under letters dated 7 and 19 April 2000, respectively, from strict compliance of the requirements of Chapter 14 of the Listing Rules in respect of the Guarantee provided by Winton to Public Bank in respect of the obligations of WFL and WFFL under the Co-Financing Arrangements mentioned in item (2) under the heading "Connected transactions" above. Mr Geh Cheng Hooi, Paul and Mr Cheah Cheng Hye, the independent non-executive directors of Winton and the Company, and the external auditors have reviewed the Guarantee. The respective parties have concluded that the Guarantee met the respective conditions imposed by the Stock Exchange under the conditional waiver.
- (4) Pursuant to facility agreements entered into between Public Bank (L) Ltd ("PBL"), a wholly-owned subsidiary of Public Bank, and WFL, PBL granted unsecured revolving credit facilities to WFL for a total of HK\$800,000,000 (1999: HK\$800,000,000). The facilities were utilised to the extent of HK\$799,414,000 (1999: HK\$799,414,000) during the year, and up to HK\$749,414,000 (1999: HK\$799,414,000) as at 31 December 2000. Interest paid by the Group for the year to PBL in respect of the facilities amounted to approximately HK\$73,306,000 (1999: HK\$64,798,000).

- (5) During the year, pursuant to a facility agreement entered into between JCG Finance and Winton, JCG Finance granted an unsecured revolving credit facility to Winton for a total of HK\$30,000,000 (1999: HK\$100,000,000). The facility was utilised to the extent of HK\$5,000,000 (1999: HK\$55,000,000) during the year, and as at 31 December 2000, the facility was not utilised (1999: HK\$5,000,000). Interest and related facility fee paid by Winton to JCG Finance for the year in respect of the facility amounted to approximately HK\$85,000 (1999: approximately HK\$2,134,000).

## **PENSION SCHEME**

Details of the pension scheme of the Group and the employer's pension costs charged to the profit and loss account for the year are set out in notes 2 and 5 to the financial statements, respectively.

## **CODE OF BEST PRACTICE**

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report. The non-executive directors and independent non-executive directors of the Company are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

## **AUDIT COMMITTEE**

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

## **AUDITORS**

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

## **ON BEHALF OF THE BOARD**

**Tan Yoke Kong**

*Director*

Hong Kong

20 January 2001