

# Notes to Financial Statements

31 December 2007

## 1. Corporate information

The registered office of JCG Holdings Limited is located at Clarendon House, Church Street, Hamilton HM11, Bermuda.

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

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

## 2. Impact of new/revised statements of standard accounting practice ("SSAPs")

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

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

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

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

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

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

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

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

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

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

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

## 3. Summary of significant accounting policies

### *Basis of preparation*

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic revaluation of investment properties, certain fixed assets and long term investments, as further explained below.

### *Basis of consolidation*

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

### *Goodwill*

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

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

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

### *Goodwill (continued)*

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

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

### *Subsidiaries*

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been impairments in values, when they are written down to values determined by the directors.

### *Associates*

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for impairments in values.

### *Fixed assets and depreciation*

Fixed assets, other than investment properties, are stated at cost, except for certain leasehold land and buildings which were transferred from investment properties, are stated at their valuation at the date of transfer less accumulated depreciation and impairment. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

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

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

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

### *Impairment*

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

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

### *Investment properties*

Investment properties are interests in land and buildings which are intended to be held on a long term basis for their investment potential, with rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

### *Intangible assets*

Intangible assets, representing eligibility rights to trade on or through the Stock Exchange ("Stock Exchange Trading Right"), are stated at cost less accumulated amortisation and impairment.

Amortisation is calculated on the straight-line basis to write off the cost of the trading right over its estimated useful life of ten years.

### *Deferred expenditure*

Deferred expenditure represents the unamortised portion of net commission expenses. Commission expenses, paid or payable to dealers for the referral of financing business, are netted off against the related commission receivable from co-financing banks under the Co-Financing Arrangements. The remaining balance is amortised and charged to the profit and loss account over the average lives of the financing transactions of approximately three years, using the straight-line method. Upon early settlement of a financing transaction, the related unamortised balance is charged to the profit and loss account.

### *Operating leases*

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Lease income and lease payments under operating leases should be recognised as income and as expenses, respectively, in the profit and loss account on a straight line basis over the lease term.

### *Long term investments*

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

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. Unlisted securities are stated at their estimated fair values on an individual basis.

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

### *Long term investments (continued)*

The gains or losses arising from changes in the fair values of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account for the period in which the impairment arises. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value is credited to the profit and loss account to the extent of the amount previously charged.

### *Provisions for bad and doubtful debts*

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

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

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

### *Write-off of bad debts*

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

### *Financing operations*

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

### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined as the actual cost for taxi cabs and taxi licences. Net realisable value is based on estimated selling prices less any estimated costs to be incurred on disposal.

### *Deferred tax*

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

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

### *Foreign currencies*

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

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

### *Retirement benefit schemes*

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

### *Long service payments*

Provisions for long service payments have been made in respect of employees who have been continuously employed by the Group for five years or more and who are eligible for long service payments on termination of their employment in accordance with the Hong Kong Employment Ordinance.

### *Revenue recognition*

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable, and on the basis set out above under the heading "Financing operations". Interest income arising from loans and advances ceases to accrue when there are more than two overdue instalments;
- (b) commission, brokerage, handling fees and fee income, when services are rendered;
- (c) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (d) rental income, on a straight-line basis over the lease terms; and
- (e) dividends, when the shareholders' right to receive payment is established.

### *Dividends*

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

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

# Notes to Financial Statements

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

### *Dividends (continued)*

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

### *Related parties*

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

### *Cash equivalents*

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

## 4. Prior year adjustments

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

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

## 5. Segment information

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

### *Business segments*

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

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

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

## 5. Segment information (continued)

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

(a) By business segments

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

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## 5. Segment information (continued)

(b) By geographical segments

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

## 6. Other operating income

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

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

## 7. Operating expenses

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

## 7. Operating expenses (continued)

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

## 8. Loans and advances

(a) Advances to customers

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

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

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

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

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## 8. Loans and advances (continued)

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

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

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

Under the Co-Financing Arrangement, the taxi financing loans are jointly financed by the co-financing banks and the Winton Group. The Winton Group is entitled to receive certain monthly instalments (hereinafter referred to as "Winton Portion") and the co-financing banks are entitled to receive certain monthly instalments (hereinafter referred to as the "Bank Portion"). The Bank Portion, other than those co-financed by JCG Finance, does not form part of the Group's gross advances to customers. Accordingly, taxi financing loans with overdue instalments payable to the co-financing banks were not included in the Group's overdue advances. As at 31 December 2001 and at 31 December 2000, there were no taxi financing loans which were overdue for more than three months under the Group's gross advances to customers.

The above non-performing advances on which interest is no longer accrued include property mortgage loans and taxi financing loans of HK\$121,513,000 (2000: HK\$167,415,000) and HK\$24,230,000 (2000: HK\$28,958,000), respectively, which are secured by properties, taxi cabs and taxi licences. Specific provisions of approximately HK\$30,149,000 (2000: HK\$61,135,000) and HK\$8,298,000 (2000: HK\$11,962,000) are related to property mortgage loans and taxi financing loans, respectively.

## 8. Loans and advances (continued)

(c) Rescheduled loans

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

The co-financing banks of the Winton Group have rescheduled the Bank Portion of a certain number of taxi financing loans. However, the Winton Portion of these taxi financing loans were not rescheduled, and therefore were not classified herein as rescheduled loans.

## 9. Provisions for bad and doubtful debts

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

## 10. Directors' remuneration

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

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

# Notes to Financial Statements

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## 10. Directors' remuneration (continued)

In addition to the directors' remuneration disclosed above, one director occupies a property of the Group rent free. The estimated monetary value of the accommodation so provided to the director and not charged to the profit and loss account is HK\$720,000 (2000: HK\$561,000).

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

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

## 11. Five highest paid individuals

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

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

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

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

## 12. Tax

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

## 12. Tax (continued)

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

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

## 13. Net profit from ordinary activities attributable to shareholders

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company was HK\$1,213,192,000 (Restated 2000: HK\$272,414,000).

## 14. Dividends

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

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

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

## 15. Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$428,832,000 (2000: HK\$446,638,000) and the weighted average number of 707,052,900 (2000: 707,022,412) ordinary shares in issue during the year.

### (b) Diluted earnings per share

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

Diluted earnings per share for the year ended 31 December 2000 has not been shown as the convertible preference shares of Winton outstanding during that year had an anti-dilutive effect.

# Notes to Financial Statements

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## 16. Cash and short term placements

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

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

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

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

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

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

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

## 18. Other assets

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

Other assets are shown net of provisions.

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

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

## 19. Inventories

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

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

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

## 20. Long term investment

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

The Group held one share in the Stock Exchange as included in other assets as at 31 December 1999. Pursuant to the restructuring of the Stock Exchange and the Futures Exchange, effective on 6 March 2000, this share was exchanged for a Stock Exchange Trading Right and 805,000 ordinary shares of HK\$1.00 each in Hong Kong Exchanges and Clearing Limited (the "HKEC Shares").

The cost of the previously held share in the Stock Exchange above was apportioned to the Stock Exchange Trading Right and the HKEC Shares on the basis of their respective estimated market values on 6 March 2000.

The Stock Exchange Trading Right has been classified as an intangible asset (*note 24*) and the HKEC Shares have been classified as a long term investment.

## 21. Investment properties

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

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

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

# Notes to Financial Statements

31 December 2001

## 21. Investment properties (continued)

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

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

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

## 22. Interests in subsidiaries

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

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

## 22. Interests in subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows:

Name	Nominal value of issued ordinary share capital HK\$	Percentage of equity attributable to the Company		Principal activities
		Direct	Indirect	
JCG Finance Company, Limited	258,800,000	100	—	Deposit taking, granting of loans and issuing of credit cards
Funds Fit Limited	10,100,000	—	100	Investment holding
JCG Securities Limited	10,000,000	—	100	Securities dealing
JCG Nominees Limited	10,000	—	100	Nominee services
Winton Holdings (Bermuda) Limited	42,000,000 <sup>1</sup>	75	—	Investment holding
Eastwood Overseas Corporation <sup>2</sup>	US\$1	—	75	Dormant
Eternal Success Company Limited	20	—	75	Property holding
Keytop Investment Limited <sup>3</sup>	2	—	75	Dormant
Winsure Company, Limited	1,600,000	—	72.7	Dormant
Winton (B.V.I.) Limited	61,773	—	75	Investment and property holding
Winton Financial Limited	4,000,010	—	75	Provision of financing for licensed public vehicles and provision of personal and short term loans
Winton Financial (Factoring) Limited	1,000,000	—	75	Provision of financing for licensed public vehicles
Winton Investment Company (China) Limited	1,000,000	—	75	Investment holding
Winton Motors, Limited	78,000	—	75	Trading of taxi cabs and taxi licences and leasing of taxis
Winton Motors Trading Company Limited	2	—	75	Trading of taxi cabs and taxi licences and leasing of taxis
Winton Restaurant Limited <sup>3</sup>	20	—	75	Dormant
Winton Trading Company Limited	20	—	75	Dormant
Wu Shang Mei Winton (China) Investment Company Limited	100	—	67.5	Investment holding

*Notes:*

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

# Notes to Financial Statements

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## 23. Interests in associates

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

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

Particulars of the Group's associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group		Principal activities
			2001	2000	
ZKW Enterprise (Group) Co., Ltd., Zhuhai Special Economic Zone	Corporate	The People's Republic of China	30	30	Investment holding, general trading and automobile repairs centre
Zhangjiagang Rixing Freight & Storage Co., Ltd.	Corporate	The People's Republic of China	33.8	33.8	Cargo handling and transportation

## 24. Intangible assets

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

## 25. Fixed assets

Group	Leasehold land and buildings HK\$'000	Leasehold improvements, furniture, and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or carrying amount:				
At 1 January 2001	298,065	73,962	1,630	373,657
Additions	17,337	3,919	1,012	22,268
Transfer to investment properties	(3,612)	—	—	(3,612)
Disposals	—	(3,487)	—	(3,487)
<b>At 31 December 2001</b>	<b>311,790</b>	<b>74,394</b>	<b>2,642</b>	<b>388,826</b>
Accumulated depreciation:				
At 1 January 2001	23,991	63,537	1,630	89,158
Transfer to investment properties	(1,174)	—	—	(1,174)
Provided during the year	4,800	4,648	253	9,701
Disposals	—	(3,380)	—	(3,380)
<b>At 31 December 2001</b>	<b>27,617</b>	<b>64,805</b>	<b>1,883</b>	<b>94,305</b>
Net book value:				
<b>At 31 December 2001</b>	<b>284,173</b>	<b>9,589</b>	<b>759</b>	<b>294,521</b>
At 31 December 2000	274,074	10,425	—	284,499

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

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

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

## 26. Loans to directors and officers

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

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

# Notes to Financial Statements

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## 27. Customer deposits

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

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

## 28. Interest-bearing bank borrowings

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

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

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

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

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

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

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

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

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

## 29. Other liabilities

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

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

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

## 30. Provision for long service payments

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

## 31. Deferred tax

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

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## 31. Deferred tax (continued)

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

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

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

There are no significant potential deferred tax liabilities for which a provision has not been made.

## 32. Share capital

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

### Share options

Pursuant to the Share Option Scheme of the Company ("JCG Scheme") approved on 20 March 1997, the directors may, at their discretion, invite full time employees of the Group, including executive directors, to take up options to subscribe for shares in the Company, subject to:

- the maximum number of share options under the JCG Scheme may not, when aggregated with any securities subject to any other share option scheme(s) of the Company and/or its subsidiaries, exceed 10% of the number of issued shares of the Company from time to time excluding the aggregate number of shares which are issued pursuant to the JCG Scheme and any outstanding options granted under another Share Option Scheme which were duly approved on 11 September 1991, and lapsed on 10 September 1996; and
- 50% of the options are exercisable two years after 5 July 1997 and the remaining 50% of the options are exercisable three years after 5 July 1997, and the last day to exercise the option is 4 July 2002.

At the beginning of the year, the Company had outstanding options granted in accordance with the terms of the JCG Scheme entitling executive directors and employees thereof to subscribe for 286,000 and 22,854,000 ordinary shares, respectively, of HK\$0.10 each in the Company at HK\$4.77 per share.

During the year, no options to subscribe for shares in the Company were granted to any of the directors or employees.

During the year, 52,000 of the share options were exercised by employees and 2,064,000 share options lapsed. Hence, there were 21,024,000 share options outstanding as at 31 December 2001.

## 33. Reserves

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Long term investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>Group</b>								
At 1 January 2000	1,206,157	829	96,116	86,844	428	—	1,207,918	2,598,292
Movement in the market value (note 20)	—	—	—	—	—	14,147	—	14,147
Capitalisation of share issue expenses of a subsidiary	—	—	—	(1,277)	—	—	—	(1,277)
Interim dividend for 2000 (note 14)	—	—	—	—	—	—	(56,559)	(56,559)
Profit for the year	—	—	—	—	—	—	446,638	446,638
Proposed final dividend for 2000 (note 14)	—	—	—	—	—	—	(169,686)	(169,686)
At 31 December 2000 and 1 January 2001	1,206,157	829	96,116	85,567	428	14,147	1,428,311	2,831,555
Premium arising on share options exercised	243	—	—	—	—	—	—	243
Movement in the market value (note 20)	—	—	—	—	—	(4,870)	—	(4,870)
Interim dividend for 2001 (note 14)	—	—	—	—	—	—	(60,097)	(60,097)
Profit for the year	—	—	—	—	—	—	428,832	428,832
Proposed final dividend for 2001 (note 14)	—	—	—	—	—	—	(166,162)	(166,162)
<b>At 31 December 2001</b>	<b>1,206,400</b>	<b>829</b>	<b>96,116</b>	<b>85,567</b>	<b>428</b>	<b>9,277</b>	<b>1,630,884</b>	<b>3,029,501</b>
Reserves retained by:								
Company and subsidiaries	1,206,400	829	96,116	85,567	—	9,277	1,651,839	3,050,028
Associates	—	—	—	—	428	—	(20,955)	(20,527)
<b>At 31 December 2001</b>	<b>1,206,400</b>	<b>829</b>	<b>96,116</b>	<b>85,567</b>	<b>428</b>	<b>9,277</b>	<b>1,630,884</b>	<b>3,029,501</b>
Company and subsidiaries	1,206,157	829	96,116	85,567	—	14,147	1,443,334	2,846,150
Associates	—	—	—	—	428	—	(15,023)	(14,595)
At 31 December 2000	1,206,157	829	96,116	85,567	428	14,147	1,428,311	2,831,555
<b>Company</b>								
At 1 January 2000								
As previously reported	1,206,157	829	194,524	—	—	—	195,700	1,597,210
Prior year adjustment (note 4)	—	—	—	—	—	—	(150,104)	(150,104)
As restated	1,206,157	829	194,524	—	—	—	45,596	1,447,106
Interim dividend for 2000 (note 14)	—	—	—	—	—	—	(56,559)	(56,559)
Profit for the year (restated)	—	—	—	—	—	—	272,414	272,414
Proposed final dividend for 2000 (note 14)	—	—	—	—	—	—	(169,686)	(169,686)
At 31 December 2000 and 1 January 2001 (restated)	1,206,157	829	194,524	—	—	—	91,765	1,493,275
At 31 December 2000 and 1 January 2001								
As previously reported	1,206,157	829	194,524	—	—	—	208,225	1,609,735
Prior year adjustment (note 4)	—	—	—	—	—	—	(116,460)	(116,460)
As restated	1,206,157	829	194,524	—	—	—	91,765	1,493,275
Premium arising on share options exercised	243	—	—	—	—	—	—	243
Interim dividend for 2001 (note 14)	—	—	—	—	—	—	(60,097)	(60,097)
Profit for the year	—	—	—	—	—	—	1,213,192	1,213,192
Proposed final dividend for 2001 (note 14)	—	—	—	—	—	—	(166,162)	(166,162)
<b>At 31 December 2001</b>	<b>1,206,400</b>	<b>829</b>	<b>194,524</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,078,698</b>	<b>2,480,451</b>

# Notes to Financial Statements

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## 33. Reserves (continued)

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

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

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

## 34. Notes to the consolidated cash flow statement

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

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

## 34. Notes to the consolidated cash flow statement (continued)

- (b) Analysis of changes in financing during the year

	Group	
	Share capital (including share premium) HK\$'000	Minority interests HK\$'000
Balance at 1 January 2000	1,276,859	172,573
Share of profit for the year	—	1,394
Dividends paid to minority interests	—	(819)
Preference shares issued	—	17,680
Balance at 31 December 2000 and 1 January 2001	1,276,859	190,828
Shares issued on exercise of share options	248	—
Share of profit for the year	—	15,863
Dividends paid to minority interests	—	(981)
<b>Balance at 31 December 2001</b>	<b>1,277,107</b>	<b>205,710</b>

## 35. Operating lease arrangements

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

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

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

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

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

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

# Notes to Financial Statements

31 December 2001

## 36. Commitments

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

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

## 37. Undrawn loan facilities

The undrawn loan facilities related to customers of JCG Finance.

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

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

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

## 38. Contingent liabilities

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

## 38. Contingent liabilities (continued)

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

## 39. Related party transactions

A portion of the Group's business is represented by transactions to which other members of the Public Bank Berhad group are parties. The significant transactions are summarised below.

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

- (a) No commission income (2000: HK\$76,000) was received from Public Bank under the Co-Financing Arrangement. During the year, no new hire purchase loans (2000: Nil) were granted by the Group under the Co-Financing Arrangement with Public Bank. The directors considered that the terms of the Co-Financing Arrangement with Public Bank are essentially the same as those the Group has with other co-financing banks. Details of these transactions are set out under the heading "Connected transactions" in the Report of the Directors.

The commission income of HK\$1,646,000 (2000: HK\$28,000) received from referrals of floating rate hire purchase loans to Public Bank was determined based on market practice.

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

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

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

# Notes to Financial Statements

31 December 2001

## 39. Related party transactions (continued)

- (c) The rental income was derived from properties included in fixed assets, which were rented to:
  - (i) Public Bank as its staff quarters for a term of three years commencing on 1 August 1999 at a monthly rental of HK\$22,000; and
  - (ii) Public Bank as its office. The related Lease Arrangement was renewed on 1 September 2000 for a term of 23 months at a monthly rental of HK\$47,700.
- (d) The management fees arose from administrative services provided by the Group to the ultimate holding company. They were charged based on the cost incurred by the Group during the year.
- (e) The interest income from associates arose from loans granted to the associates (*note 23*).
- (f) The amount related to a provision for estimated losses on an amount due from an associate, the recoverability of which was doubtful. Accordingly, full provision has been made during the year.
- (g) The interest income was received from fixed deposits placed with Public Bank at the then prevailing market rates.

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

## 40. Comparative figures

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

## 41. Approval of the financial statements

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