



JCG HOLDINGS LIMITED



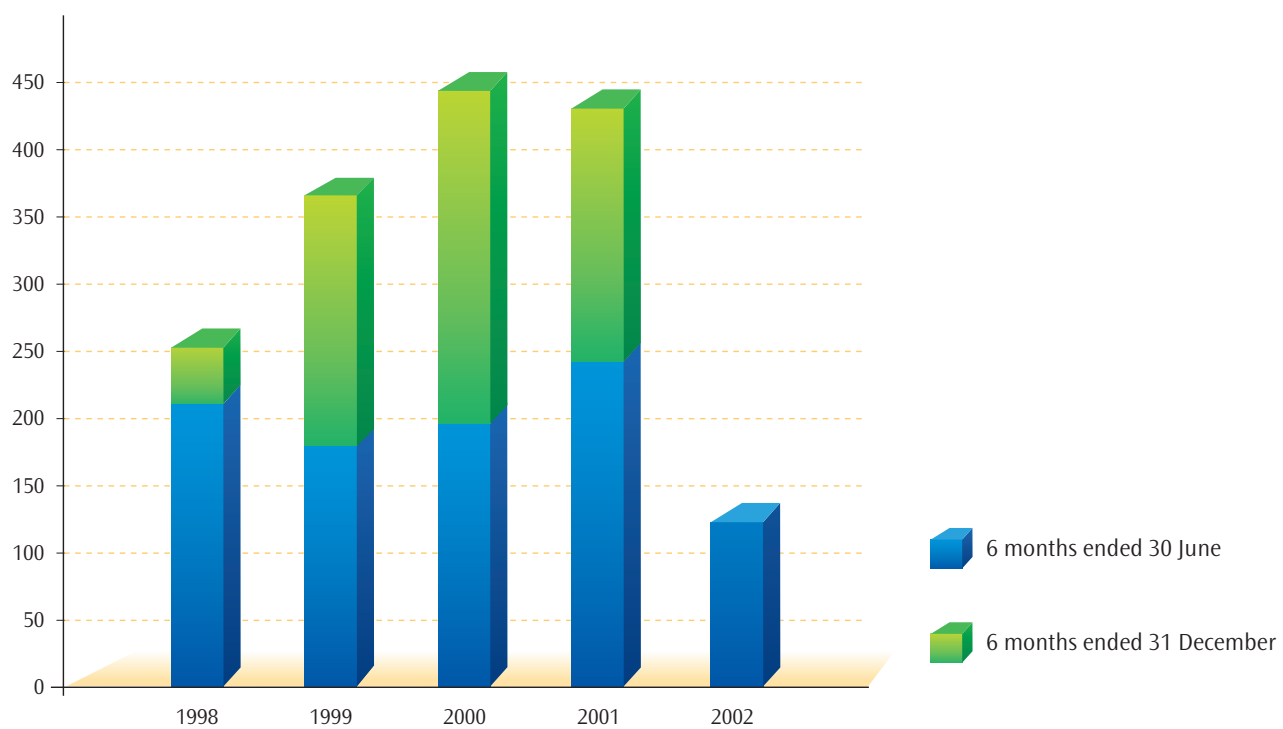
INTERIM RESULTS

The Board of Directors of JCG Holdings Limited (the “Company”) is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2002 with comparative figures are as follows:

Condensed Consolidated Profit and Loss Account

| | Notes | For the six months ended 30 June | |
|---|-------|----------------------------------|---------------------------------|
| | | 2002 (Unaudited) HK\$'000 | 2001 (Unaudited) HK\$'000 |
| Interest income | | 404,315 | 486,882 |
| Interest expense | | (11,299) | (63,896) |
| NET INTEREST INCOME | | 393,016 | 422,986 |
| Other operating income | 2 | 87,527 | 104,125 |
| OPERATING INCOME | | 480,543 | 527,111 |
| Operating expenses | 3 | (97,252) | (118,326) |
| OPERATING PROFIT BEFORE PROVISIONS | | 383,291 | 408,785 |
| Provisions for bad and doubtful debts | 4 | (232,612) | (116,662) |
| OPERATING PROFIT | | 150,679 | 292,123 |
| Share of results of associates | | – | (1,150) |
| PROFIT BEFORE TAX | | 150,679 | 290,973 |
| Tax | 5 | (18,764) | (36,782) |
| PROFIT BEFORE MINORITY INTERESTS | | 131,915 | 254,191 |
| Minority interests | | (5,258) | (8,429) |
| NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS | | 126,657 | 245,762 |
| DIVIDENDS | 6 | (31,849) | (60,101) |
| EARNINGS PER SHARE (cents) | 7 | | |
| Basic | | 17.9 | 34.8 |
| Diluted | | N/A | N/A |

Net Profit (HK\$ Million)



Condensed Consolidated Statement of Changes in Equity

| | 1 January 2001 (Audited) <i>HK\$'000</i> | Movements <i>HK\$'000</i> | 30 June 2001 (Unaudited) <i>HK\$'000</i> |
|--|---|------------------------------|---|
| Share capital | 70,702 | 5 | 70,707 |
| Share premium account | 1,206,157 | 242 | 1,206,399 |
| Capital redemption reserve | 829 | – | 829 |
| Contributed surplus | 96,116 | – | 96,116 |
| Capital reserve | 85,567 | – | 85,567 |
| Translation reserve | 428 | – | 428 |
| Long term investment revaluation reserve | 14,147 | (3,220) | 10,927 |
| Retained profits | 1,428,311 | 185,661 | 1,613,972 |
| Proposed dividend | 169,686 | (109,585) | 60,101 |
| | 3,071,943 | 73,103 | 3,145,046 |

| | 1 January 2002 (Audited) <i>HK\$'000</i> | Movements <i>HK\$'000</i> | 30 June 2002 (Unaudited) <i>HK\$'000</i> |
|--|---|------------------------------|---|
| Share capital | 70,707 | 69 | 70,776 |
| Share premium account | 1,206,400 | 3,193 | 1,209,593 |
| Capital redemption reserve | 829 | – | 829 |
| Contributed surplus | 96,116 | – | 96,116 |
| Capital reserve | 85,567 | – | 85,567 |
| Translation reserve | 428 | – | 428 |
| Long term investment revaluation reserve | 9,277 | 805 | 10,082 |
| Retained profits | 1,630,884 | 94,650 | 1,725,534 |
| Proposed dividend | 166,162 | (134,313) | 31,849 |
| | 3,266,370 | (35,596) | 3,230,774 |

Condensed Consolidated Balance Sheet

| | | 30 June 2002 (Unaudited) HK\$'000 | 31 December 2001 (Audited) HK\$'000 |
|--|--------------|--|--|
| | <i>Notes</i> | | |
| ASSETS | | | |
| Cash and short term placements | 8 | 709,795 | 523,497 |
| Placements with banks and financial institutions maturing between one and twelve months | 9 | 92,371 | 305,000 |
| Loans and advances | 10 | 3,226,839 | 3,341,461 |
| Other assets | 11 | 232,585 | 267,583 |
| Long term investment | | 10,345 | 9,540 |
| Investment properties | | 73,602 | 73,602 |
| Interests in associates | | – | – |
| Intangible assets | | 189 | 202 |
| Fixed assets | | 290,833 | 294,521 |
| TOTAL ASSETS | | 4,636,559 | 4,815,406 |
| LIABILITIES | | | |
| Customer deposits | 12 | 1,102,755 | 1,033,546 |
| Interest-bearing bank borrowings | 13 | – | 200,000 |
| Other liabilities | 14 | 99,465 | 109,780 |
| TOTAL LIABILITIES | | 1,202,220 | 1,343,326 |
| CAPITAL RESOURCES | | | |
| Share capital | | 70,776 | 70,707 |
| Reserves | | 3,128,149 | 3,029,501 |
| Proposed dividend | | 31,849 | 166,162 |
| Shareholders' funds | | 3,230,774 | 3,266,370 |
| Minority interests | | 203,565 | 205,710 |
| TOTAL CAPITAL RESOURCES | | 3,434,339 | 3,472,080 |
| TOTAL LIABILITIES AND CAPITAL RESOURCES | | 4,636,559 | 4,815,406 |

Condensed Consolidated Cash Flow Statement

| | For the six months ended 30 June | |
|--|----------------------------------|-------------|
| | 2002 | 2001 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| NET CASH FLOWS FROM: | | |
| OPERATING ACTIVITIES | 145,125 | 294,367 |
| INVESTING ACTIVITIES | (995) | (19,522) |
| FINANCING ACTIVITIES | (170,461) | (169,926) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (26,331) | 104,919 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 828,497 | 872,326 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 802,166 | 977,245 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and short term placements | 709,795 | 672,245 |
| Placements with banks and financial institutions maturing between one and twelve months | 92,371 | 305,000 |
| | 802,166 | 977,245 |

Notes to the Condensed Consolidated Financial Statements

1. Statement of compliance and accounting policies

The 2002 Interim Report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (“Stock Exchange”), the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants, and the disclosure requirements of the “Interim Financial Disclosure by Locally Incorporated Authorised Institutions” under the Supervisory Policy Manual issued by the Hong Kong Monetary Authority (“HKMA”).

The accounting policies and basis of preparation adopted in the 2002 Interim Report are consistent with those adopted in the Group’s audited 2001 annual financial statements except for the adoption of the new SSAP 15 (Revised) “Cash Flow Statements” and SSAP 34 “Employee Benefits”, the impact of which is summarised as follows:

- (a) SSAP 15 (Revised) “Cash Flow Statements” prescribes the provision of information about the historical changes in cash and cash equivalents. The condensed consolidated cash flow statement for the current interim period and the comparative figures are presented in accordance with the revised SSAP.
- (b) SSAP 34 “Employee Benefits” prescribes the accounting and disclosure for employee benefits. This SSAP has had no major impact on these financial statements.

2. Other operating income

| | For the six months ended 30 June | |
|---|----------------------------------|-------------------------|
| | 2002 | 2001 |
| | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| Fees and commission income | 79,740 | 95,330 |
| Gross rental income | 2,600 | 2,710 |
| Less: Outgoing expenses | (190) | (151) |
| Net rental income | 2,410 | 2,559 |
| Gain/(Loss) on disposal of fixed assets | 3 | (82) |
| Net profit from trading activities | 3,069 | 2,968 |
| Dividends from listed investments | 201 | 201 |
| Others | 2,104 | 3,149 |
| | 87,527 | 104,125 |

Net profit from trading activities has been arrived at after netting off the cost of inventories sold in the amount of HK\$73,378,000 (2001: HK\$64,032,000).

3. Operating expenses

| | For the six months ended 30 June | |
|---|----------------------------------|-------------------------|
| | 2002 | 2001 |
| | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| Staff costs: | | |
| Salaries and other staff costs | 42,166 | 48,169 |
| Pension contributions | 3,248 | 3,252 |
| Less: Forfeited contributions | (169) | (532) |
| Net pension contributions | 3,079 | 2,720 |
| | 45,245 | 50,889 |
| Other operating expenses: | | |
| Operating lease rentals on land and buildings | 10,392 | 10,082 |
| Depreciation | 4,887 | 4,646 |
| Amortisation of intangible assets | 13 | 13 |
| Auditors' remuneration | 892 | 874 |
| Amortisation and write-off of commission expenses | 1,515 | 10 |
| Provision against an amount due from an associate | – | 6,700 |
| Provisions for other doubtful debtors | (230) | 13,167 |
| Administrative and general expenses | 7,153 | 9,702 |
| Others | 27,385 | 22,243 |
| | 97,252 | 118,326 |

As at 30 June 2002, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2001: Nil). The current period credits arose in respect of staff who left the scheme during the period.

4. Provisions for bad and doubtful debts

| | For the six months ended 30 June | |
|---|----------------------------------|---------------------------------|
| | 2002 (Unaudited) HK\$'000 | 2001 (Unaudited) HK\$'000 |
| Specific charge | 244,870 | 126,917 |
| General charge | (6,134) | (5,762) |
| | 238,736 | 121,155 |
| Loan recoveries | (6,124) | (4,493) |
| Net charge to the profit and loss account | 232,612 | 116,662 |

5. Tax

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in the Hong Kong SAR during the period.

No deferred tax has been provided for the period as there were no significant timing differences at the period end date (2001: Nil).

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 period (2001: Nil).

6. Dividends

| | For the six months ended 30 June | | | |
|---------------------------|----------------------------------|------|------------------|------------------|
| | 2002 Cents per ordinary share | 2001 | 2002 HK\$'000 | 2001 HK\$'000 |
| Proposed interim dividend | 4.5 | 8.5 | 31,849 | 60,101 |

7. 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 period of HK\$126,657,000 (2001: HK\$245,762,000) and the weighted average number of 707,563,064 (2001: 707,031,031) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2002 and 30 June 2001 has not been shown as the convertible preference shares of Winton Holdings (Bermuda) Limited ("Winton") outstanding during the period had an anti-dilutive effect on basic earnings per share, and the exercise of share options under the Company's Share Option Scheme had nil dilutive effect on basic earnings per share.

8. Cash and short term placements

| | 30 June 2002 (Unaudited) HK\$'000 | 31 December 2001 (Audited) HK\$'000 |
|--|--|--|
| Cash and balances with banks and other financial institutions | 77,686 | 79,775 |
| Money at call and short notice | 632,109 | 443,722 |
| | 709,795 | 523,497 |

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

As at 30 June 2002, the Group had no placements (2001: HK\$300,000,000) with a fellow subsidiary of the Company.

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

10. Loans and advances

(a) Advances to customers

| | 30 June 2002 (Unaudited) HK\$'000 | 31 December 2001 (Audited) HK\$'000 |
|--|--|--|
| Loans and advances to customers | 3,549,215 | 3,675,770 |
| Provisions for bad and doubtful debts: | | |
| Specific | (122,888) | (128,687) |
| General | (199,488) | (205,622) |
| | (322,376) | (334,309) |
| | 3,226,839 | 3,341,461 |

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

The maturity profile of loans and advances to customers as at 30 June 2002 and 31 December 2001 is analysed by the remaining periods to their contractual maturity dates as follows:

| | 30 June 2002 (Unaudited) HK\$'000 | 31 December 2001 (Audited) HK\$'000 |
|--|--|--|
| Repayable: | | |
| On demand | 50,594 | 41,685 |
| Three months or less | 683,942 | 686,973 |
| One year or less but over three months | 1,281,041 | 1,355,133 |
| Five years or less but over one year | 695,947 | 769,939 |
| After five years | 635,559 | 621,537 |
| Undated | 202,132 | 200,503 |
| | 3,549,215 | 3,675,770 |

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

| | 30 June 2002 (Unaudited) | | 31 December 2001 (Audited) | |
|---|--------------------------------|------------|----------------------------------|-----|
| | HK\$'000 | %* | HK\$'000 | %* |
| Gross advances to customers which have been overdue for over 3 months on which interest accrual has ceased to be accrued: | | | | |
| Six months or less but over three months | 74,525 | 2.1 | 57,375 | 1.6 |
| One year or less but over six months | 29,901 | 0.9 | 35,821 | 1.0 |
| Over one year | 123,836 | 3.5 | 134,212 | 3.6 |
| | 228,262 | 6.5 | 227,408 | 6.2 |
| Taxi financing loans terminated and fully provided for | 26,207 | 0.7 | 24,230 | 0.6 |
| | 254,469 | 7.2 | 251,638 | 6.8 |
| Gross advances to customers which have been overdue for 3 months or less, but interest on which has ceased to be accrued | 26,002 | 0.7 | 28,436 | 0.8 |
| Total non-performing loans and advances | 280,471 | 7.9 | 280,074 | 7.6 |
| Specific provisions | (122,888) | | (128,687) | |
| | 157,583 | | 151,387 | |

* Percentage of total loans and advances

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

Under the co-financing arrangements, the taxi financing loans are jointly financed by the co-financing banks and Winton and its subsidiaries ("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 Company, Limited ("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 30 June 2002 and at 31 December 2001, there were no taxi financing loans which were overdue for more than three months under the Group's gross advances to customers.

The above non-performing advances on which interest is no longer accrued include property mortgage loans and taxi financing loans of HK\$106,891,000 (2001: HK\$121,513,000) and HK\$32,958,000 (2001: HK\$24,230,000), respectively, which are secured by properties, taxi cabs and taxi licences. Specific provisions of approximately HK\$25,185,000 (2001: HK\$30,149,000) and HK\$9,714,000 (2001: HK\$8,298,000) are related to property mortgage loans and taxi financing loans, respectively.

(c) Rescheduled loans

As at 30 June 2002, there were no rescheduled loans under the Group's gross loans and advances (2001: 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.

11. Other assets

| | 30 June 2002 (Unaudited) HK\$'000 | 31 December 2001 (Audited) HK\$'000 |
|---|--|--|
| Inventories | 18,524 | 18,300 |
| Interest receivable | 100,499 | 119,336 |
| Other debtors, deposits and prepayments | 107,318 | 129,690 |
| Deferred expenditure | 6,244 | 257 |
| | 232,585 | 267,583 |

Other assets are shown net of provisions.

Included in other debtors were HK\$94,941,000 (2001: HK\$98,505,000) which were secured by taxi licences, cash and a property. Full provisions have been made for the unsecured portion.

Also, included in other debtors were trade receivables of HK\$13,000 (2001: HK\$19,000) after provision of HK\$375,000 (2001: HK\$605,000). As the trade receivables were immaterial to the Group, the maturity profile thereof was not disclosed. The Group allows an average credit of 90 days to its trade debtors.

12. Customer deposits

The Group's maturity profile of customer deposits as at 30 June 2002 and 31 December 2001 is analysed into the remaining periods to their contractual maturity dates as follows:

| | 30 June 2002 (Unaudited) <i>HK\$'000</i> | 31 December 2001 (Audited) <i>HK\$'000</i> |
|--|---|---|
| Repayable: | | |
| On demand | 5,420 | 9,243 |
| Three months or less | 972,094 | 829,852 |
| One year or less but over three months | 119,052 | 194,451 |
| Five years or less but over one year | 6,189 | – |
| | 1,102,755 | 1,033,546 |

13. Interest-bearing bank borrowings

| | 30 June 2002 (Unaudited) <i>HK\$'000</i> | 31 December 2001 (Audited) <i>HK\$'000</i> |
|--|---|---|
| Unsecured loans from a fellow subsidiary repayable in the second year | – | 200,000 |

14. Other liabilities

| | 30 June 2002 (Unaudited) <i>HK\$'000</i> | 31 December 2001 (Audited) <i>HK\$'000</i> |
|--|---|---|
| Creditors, accruals and interest payable | 66,720 | 89,683 |
| Tax payable | 18,488 | 5,832 |
| Provision for long service payments | 4,567 | 4,575 |
| Deferred tax (<i>Note 15</i>) | 9,690 | 9,690 |
| | 99,465 | 109,780 |

No trade payables were included in creditors (2001: HK\$1,000).

15. Deferred tax

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

| | Provided | | Unprovided | |
|--|--|--|--|--|
| | 30 June 2002 (Unaudited) HK\$'000 | 31 December 2001 (Audited) HK\$'000 | 30 June 2002 (Unaudited) HK\$'000 | 31 December 2001 (Audited) HK\$'000 |
| Commission expenses claimed over amount amortised and interest receivable | 9,690 | 9,690 | – | – |
| Unutilised tax losses | – | – | (65,000) | (100,000) |
| | 9,690 | 9,690 | (65,000) | (100,000) |

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified. There are no significant potential deferred tax liabilities for which a provision has not been made.

16. Operating lease arrangements

As at 30 June 2002, the Group had total future minimum lease rental payables under non-cancellable operating leases falling due as follows:

| | 30 June 2002 (Unaudited) HK\$'000 | 31 December 2001 (Audited) HK\$'000 |
|---|--|--|
| Within one year | 14,962 | 17,519 |
| In the second to fifth years, inclusive | 5,430 | 9,004 |
| | 20,392 | 26,523 |

17. Commitments

| | 30 June 2002 (Unaudited) HK\$'000 | 31 December 2001 (Audited) HK\$'000 |
|--|--|--|
| Capital commitments: Contracted for, but not provided in the financial statements: | | |
| Purchases of fixed assets | – | – |
| Others | 80 | 113 |
| | 80 | 113 |

18. Undrawn loan facilities

The undrawn loan facilities are related to customers of JCG Finance.

| | 30 June 2002 | | 31 December 2001 | |
|---|--|---|--|---|
| | Contractual amount (Unaudited) HK\$'000 | Risk weighted amount (Unaudited) HK\$'000 | Contractual amount (Audited) HK\$'000 | Risk weighted amount (Audited) HK\$'000 |
| With an original maturity of under one year or which are unconditionally cancellable | 33,618 | – | 36,130 | – |

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

During the six months ended 30 June 2002 and the year ended 31 December 2001, no derivative activities were transacted.

19. Contingent liabilities

| | 30 June 2002 (Unaudited) HK\$'000 | 31 December 2001 (Audited) HK\$'000 |
|---|--|--|
| Guarantees under the co-financing arrangements given to: | | |
| Ultimate holding company | 770 | 770 |
| Other co-financing banks | – | 898 |
| | 770 | 1,668 |
| Letters of undertaking in respect of the surplus sale proceeds of taxi licences and cabs received from banks | 2,047 | 2,047 |
| | 2,817 | 3,715 |

20. Interests in subsidiaries

During the six months ended 30 June 2002, certain preference shares of Winton were converted to ordinary shares by third parties and resulted in a dilution of the Company's shareholding in Winton. However, the dilution was expected to be temporary as the Company has the right to convert its preference shares to revert to at least its original shareholding.

21. Related party transactions

During the period, the Group had the following transactions with related parties, which were carried out on essentially the same terms and/or at prevailing market rates with other customers or suppliers:

| | For the six months ended 30 June | |
|--|----------------------------------|---------------------------------|
| | 2002 (Unaudited) HK\$'000 | 2001 (Unaudited) HK\$'000 |
| Commission income received from the ultimate holding company for referrals of taxi financing loans | 5,943 | 503 |
| Interest paid to a fellow subsidiary for unsecured revolving credit facilities | 1,084 | 24,420 |
| Interest received from a fellow subsidiary | 1,435 | 7,939 |
| Interest received from the ultimate holding company | 895 | – |
| Rental income received from the ultimate holding company | 418 | 418 |
| Management fees received from the ultimate holding company | 82 | 99 |
| Provision against an amount due from an associate | – | 6,700 |

22. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

SUPPLEMENTARY INFORMATION (UNAUDITED)

Segment Information

(a) By class of business

| | For the six months ended 30 June 2002 | | 30 June 2002 |
|--|--|----------------------------------|-----------------------------|
| | Operating income HK\$'000 | Profit before tax HK\$'000 | Total assets HK\$'000 |
| Personal and commercial lending | 469,695 | 149,999 | 4,514,427 |
| Taxi trading and related operations, and other businesses | 13,883 | 680 | 122,132 |
| Inter-segments | (3,035) | – | – |
| | 480,543 | 150,679 | 4,636,559 |

| | For the six months ended 30 June 2001 | | 30 June 2001 |
|--|--|----------------------------------|-----------------------------|
| | Operating income HK\$'000 | Profit before tax HK\$'000 | Total assets HK\$'000 |
| Personal and commercial lending | 510,172 | 289,988 | 5,055,354 |
| Taxi trading and related operations, and other businesses | 21,851 | 985 | 151,941 |
| Inter-segments | (4,912) | – | – |
| | 527,111 | 290,973 | 5,207,295 |

(b) By geographical area

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

(c) Advances to customers by industry sectors and basis of classification

| | 30 June 2002 HK\$'000 | 31 December 2001 HK\$'000 |
|--|--------------------------------------|---------------------------------|
| Loans for use in Hong Kong | | |
| Industrial, commercial and financial: | | |
| – Property development | 13,801 | 14,772 |
| – Property investment | 52,492 | 67,469 |
| – Wholesale and retail trade | 3,254 | 3,137 |
| – Manufacturing | 2,151 | 2,710 |
| – Licensed public vehicles | 708,745 | 676,130 |
| – Others | 21,121 | 21,020 |
| Individuals: | | |
| – Loans for the purchase of residential properties | 52,430 | 68,521 |
| – Credit card advances | 7,935 | 9,512 |
| – Others | 2,594,802 | 2,719,411 |
| Loans for use outside Hong Kong | 92,484 | 93,088 |
| | 3,549,215 | 3,675,770 |

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

Management of Risks

(a) Credit risk

The Board of Directors is responsible for oversight of credit risks and approval of credit risk management policies. The Internal Audit Department performs regular audits to ensure compliance with the policies.

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

JCG Finance, a wholly-owned subsidiary, has established policies and systems for the monitoring and control of credit risk. The Credit Committee is responsible for monitoring of asset quality and the formulation of credit policies and management of credit risk through reviews of regular reports on credit exposures, which include exposure limits and the level of bad debt provisions. The approval of loan transactions is delegated to the Credit Committee members and/or authorised zone and branch managers subject to the set limits. The Internal Audit Department is responsible for appraising the effectiveness of credit controls adopted by the branches of JCG Finance. JCG Finance continues to maintain a tight control on loan assessments and approvals and will continue to pursue a conservative and prudent policy in granting loans.

The Directors and the senior management of Winton Group are responsible for the formulation of credit policies and the management of credit risk through reviews of regular reports on credit exposures and the level of bad debt provisions. Winton Group maintains a system of controls over loan assessments and approvals, and will continue to pursue a conservative and prudent policy in granting loans.

(b) Market risk

The Group's policy to market risk is essentially the same as that disclosed in the Company's 2001 Annual Report. During the period, JCG Finance and Winton Group did not trade in any market risk including currency risk related financial instruments. The market risk including currency risk exposure of the Group arising from both on and off balance sheet activities was considered immaterial. Accordingly, quantitative market risk including currency risk information is not disclosed.

Capital Adequacy and Liquidity Ratios

| | 30 June 2002 Unadjusted ratio | 31 December 2001 Unadjusted ratio |
|-------------------------|--|---|
| Capital adequacy ratio | 39.56% | 37.74% |
| | For the six months ended 30 June | |
| | 2002 | 2001 |
| Average liquidity ratio | 132.67% | 181.98% |

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

| | 30 June 2002 HK\$'000 | 31 December 2001 HK\$'000 |
|---|--------------------------------------|---------------------------------|
| Core capital: | | |
| Paid up ordinary share capital | 258,800 | 258,800 |
| Share premium account | 412,238 | 412,238 |
| Reserves (eligible for inclusion in core capital) | 583,606 | 558,849 |
| | 1,254,644 | 1,229,887 |
| Eligible supplementary capital: | | |
| Reserve on revaluation of securities not held for trading purposes | 7,057 | 6,494 |
| General provisions for doubtful debts | 42,813 | 44,056 |
| | 49,870 | 50,550 |
| Total capital base before deductions | 1,304,514 | 1,280,437 |
| Deductions from total capital base | (10) | (10) |
| Total capital base after deductions | 1,304,504 | 1,280,427 |

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

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

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

INTERIM DIVIDEND

The Board of Directors have declared an interim dividend of 4.5 cents (2001: 8.5 cents) per share payable on 30 August 2002 to shareholders whose names appear on the Register of Members of the Company on 16 August 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 12 August 2002 to 16 August 2002, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tengis Limited at 4/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong for registration no later than 4:00 p.m. on 9 August 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2002, the Group recorded a profit after tax and minority interests of HK\$126.7 million, representing a decrease of 48.5% or HK\$119.1 million as compared to the previous corresponding period. The Group's earnings per share decreased by 16.9 cents per share to 17.9 cents per share. The Directors declared the payment of an interim dividend of 4.5 cents per share for the six months ended 30 June 2002.

The decline in net profit of the Group was mainly attributed to a significant increase in bad debts charge of JCG Finance as a consequence of rising number of personal bankruptcies from its consumer loan customers. The Group's other operating subsidiary, Winton Group also recorded a lower profit after tax of HK\$21.3 million, representing a decrease of 36.8% or HK\$12.4 million as compared to the previous corresponding period, caused mainly by a lower volume of taxi financing activities and lower interest income from taxi loan receivables.

At the operating level before bad debt provisions, the Group recorded an operating profit of HK\$383.3 million for the six months ended 30 June 2002, representing a slight decrease of 6.2% or HK\$25.5 million from HK\$408.8 million in the previous corresponding period. During the period under review, the number of personal bankruptcies in Hong Kong continued to escalate to new heights. Consequently, the Group's provisions for bad and doubtful debts increased sharply by 99.4% or HK\$115.9 million to HK\$232.6 million from HK\$116.7 million in the previous corresponding period.

For the six months ended 30 June 2002, the Group's net interest income decreased by 7.1% or HK\$30.0 million to HK\$393.0 million. Interest income of JCG Finance and Winton Group decreased by 6.5% or HK\$26.4 million and 69.6% or HK\$53.8 million respectively. The Group's interest expense fell by 82.3% or HK\$52.6 million mainly due to the decline in interest rates on customer deposits of JCG Finance and the repayment of Winton Group's bank borrowings.

The Group's other non-interest operating income decreased by 15.9% or HK\$16.6 million to HK\$87.5 million mainly attributed to a decrease in loans processing and related fees from lower volume of consumer loans booked by JCG Finance in the period under review.

The Group's operating expenses decreased by 17.8% or HK\$21.0 million to HK\$97.3 million for the period under review when compared to the previous corresponding period. The Group's cost to operating income improved further to 20.2% from 22.4% in the corresponding period of 2001.

As at 30 June 2002, the Group's total gross loans and advances decreased marginally by 3.4% or HK\$126.6 million to HK\$3,549.2 million from HK\$3,675.8 million at the end of December 2001. JCG Finance's gross loans and advances decreased by 3.0% or HK\$96.8 million to HK\$3,145.0 million at the end of June 2002 from HK\$3,241.8 million at the end of December 2001, mainly due to the higher level of write-off of bad debts arising from escalating personal bankruptcies of consumer loan customers. Winton Group's gross loans and advances also declined by 6.9% or HK\$29.7 million from HK\$433.9 million at the end of December 2001 to HK\$404.2 million at the end of June 2002 due to loan repayments and early settlement of taxi financing loans.

Segment Information

The Group's business comprised mainly of two segments, personal and commercial lending, and taxi trading. Over 90% of the Group's operating income and profits before tax were contributed from personal and commercial lending. When compared to the corresponding period of last year, the Group's operating income of personal and commercial lending decreased by 7.9% to HK\$469.7 million. However, profit before tax decreased by 48.3% to HK\$150.0 million in personal and commercial lending mainly caused by the higher-than-expected provisions for bad debts following the sharp rise in personal bankruptcies during the period under review.

Funding and Capital Management

The main objectives of the Group's funding and capital management are essentially the same as that reported in the Company's 2001 Annual Report.

JCG Finance relied principally on its internally generated capital and customer deposits to fund its business. The principal source of internally generated capital is from retained earnings. At the end of June 2002, JCG Finance's average liquidity ratio and consolidated capital adequacy ratio were 132.7% and 39.6% respectively.

Winton Group funded its loans and advances through its internally generated capital and bank borrowings. During the period under review, Winton Group repaid its bank borrowings through its internally generated funds from loan repayments and early settlements of taxi financing loans. Winton Group's gearing ratio fell to nil from 0.20 at the end of 2001 based on bank borrowings to shareholders' funds (excluding the proposed dividend).

During the period under review, the Group did not incur any material capital expenditure commitment. There were no significant changes in charges over the Group's assets when compared to that disclosed in the Company's 2001 Annual Report.

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

Human Resources Management

The objectives of the Group's human resources management are essentially the same as that disclosed in the Company's 2001 Annual Report. As at the end of June 2002, the Group has a relatively stable staff force of over 490 people. For the six months ended 30 June 2002, the Group's staff costs totaled HK\$45.2 million.

Contingent Liabilities

Winton Group has provided guarantees to its co-financing banks for joint financing of taxi financing loans under the co-financing arrangements. At the end of June 2002, the outstanding guarantees given to the co-financing banks decreased further to HK\$0.8 million from HK\$1.7 million as at the end of year 2001.

Prospects

While competition for consumer loans market is expected to remain intense in the second half of 2002, the situation of high level of personal bankruptcies, on the other hand, is not expected to improve in the near term. Notwithstanding these, JCG Finance will launch more strategic marketing and promotion activities to selected market segments to attract new and better quality customers to expand its base of consumer loans. JCG Finance will continue to relocate some of the branches to improve their visibility and accessibility and enhance the customer service quality to boost the overall customer satisfaction level. At the same time, JCG Finance will strengthen the credit risk management and apply more stringent credit assessment and prudent loan limits for its consumer loans business in light of the high level of personal bankruptcies in Hong Kong which is not expected to improve in the near term. The operating environment for consumer lending business in Hong Kong will remain competitive and challenging.

On the operations of Winton Group, the HKSAR Government's efforts in promoting local tourism industry, the low interest rates environment for taxi financing loans and the lower LPG fuel cost have improved the earnings and loan repayment capability of taxi drivers, and stabilised the price of taxi licences. Winton Group will continue to focus on its taxi financing and taxi trading business, and to refer taxi financing loans to its panel of financiers in generating fee income.

DIRECTORS' INTERESTS IN SHARES

- (1) As at 30 June 2002, the Directors' interests in the issued share capital of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register required to be kept under Section 29 of the SDI Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

| Interests in | Name of Director | Number of ordinary shares | |
|--|-------------------|---------------------------|--------------------|
| | | Corporate interests | Personal interests |
| 1. The Company | Tan Sri Dato' | | |
| | Dr. Teh Hong Piow | 434,408,110 | – |
| | Tan Yoke Kong | – | 150,000 |
| | Cheah Cheng Hye | – | 10,000 |
| 2. Public Bank Berhad ("Public Bank"), the ultimate holding company | Tan Sri Dato' | | |
| | Dr. Teh Hong Piow | 986,890,817 | 1,000,000 |
| | Datuk Tay Ah Lek | 172,900 | 176,800 |
| | Wong Kong Ming | – | 116,817 |
| 3. Public Finance Berhad ("Public Finance"), a fellow subsidiary | Tan Sri Dato' | | |
| | Dr. Teh Hong Piow | 208,736,051 | 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.

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

- (2) As at 30 June 2002, the interests of the Directors in any rights to subscribe for ordinary shares in the Company and its associated corporations (as defined in the SDI Ordinance) as recorded in the register required to be kept under Section 29 of the SDI Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

| Interests in | Notes | Name of Director | Number of share options | | | Exercise price | Exercisable period |
|-------------------|-------|------------------------------------|--------------------------------|--|--------------------------|----------------------|---|
| | | | At the beginning of the period | Granted/ [Exercised] during the period | At the end of the period | | |
| 1. The Company | (i) | Tan Yoke Kong | 150,000 | [150,000] | – | HK\$4.77 | 50%: 5.7.1999 – 4.7.2002 50%: 5.7.2000 – 4.7.2002 |
| | (i) | Lee Huat Oon | 136,000 | [136,000] | – | HK\$4.77 | 50%: 5.7.1999 – 4.7.2002 50%: 5.7.2000 – 4.7.2002 |
| 2. Public Bank | (ii) | Tan Sri Dato' Dr. Teh Hong Piow | 250,000 | – | 250,000 | RM1.27 | 10.4.1998 – 24.2.2005 |
| | | | 75,000 | – | 75,000 | RM1.27 | 23.4.2001 – 24.2.2005 |
| | | | – | 36,360,000 | 36,360,000 | RM2.78 | 6.6.2002 – 24.2.2005 |
| | | | <u>325,000</u> | <u>36,360,000</u> | <u>36,685,000</u> | | |
| | (ii) | Datuk Tay Ah Lek | 175,000 | – | 175,000 | RM1.27 | 10.4.1998 – 24.2.2005 |
| | | | 52,500 | – | 52,500 | RM1.27 | 23.4.2001 – 24.2.2005 |
| – | | | 10,000,000 | 10,000,000 | RM2.78 | 6.6.2002 – 24.2.2005 | |
| | | <u>227,500</u> | <u>10,000,000</u> | <u>10,227,500</u> | | | |
| | (ii) | Wong Kong Ming | – | 100,000 | 100,000 | RM2.78 | 6.6.2002 – 24.2.2005 |
| 3. Public Finance | (iii) | Tan Sri Dato' Dr. Teh Hong Piow | – | 3,300,000 | 3,300,000 | RM6.60 | 6.6.2002 – 30.5.2007 or upon merger whichever is earlier |

Notes:

- (i) The options to subscribe for ordinary shares of HK\$0.10 each in the Company were granted on 20 June 1997 under the Company's Share Option Scheme duly approved on 20 March 1997. The Company's Share Option Scheme was terminated on 28 February 2002.
- (ii) The options to subscribe for ordinary shares of RM0.50 each in Public Bank were first granted on 10 April 1998 under its Employees' Share Option Scheme ("PBB ESOS"). A bonus issue of the options was made on 23 April 2001, and the exercise price was adjusted accordingly. Following approvals from the relevant Authorities and the shareholders of Public Bank at the Extraordinary General Meeting held on 20 May 2002, the PBB ESOS has been extended for 2 years to 25 February 2005. Hence, the exercisable period of the options has also been extended up to and including 24 February 2005. Further options were granted to employees of Public Bank on 6 June 2002. The options are exercisable subject to the terms of the PBB ESOS.
- (iii) The options to subscribe for ordinary shares of RM1.00 each in Public Finance were granted on 6 June 2002 under its Employees' Share Option Scheme ("PFB ESOS"). The options are exercisable subject to the terms of the PFB ESOS.

Save as disclosed above, none of the Directors had any personal, family, corporate or other beneficial interests in the equity or debt securities of the Company or any of its associated corporations.

SHARE OPTION SCHEMES

As at 30 June 2002, the particulars in relation to each share option scheme of the Company or any of its subsidiaries that are required to be disclosed under Rules 17.07 and 17.08 of Chapter 17 of the Listing Rules were as follows:

(a) Share option schemes of the Company

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

The above share option scheme of the Company was terminated and a new share option scheme was adopted on 28 February 2002. No options to subscribe for ordinary shares in the Company have been granted to any eligible participants, including Directors or their respective associates or employees under the new share option scheme.

(b) Share option scheme of Winton

No options to subscribe for ordinary shares in Winton had/have been granted to any eligible participants, including directors or their respective associates or employees, either under the share option scheme adopted on 24 July 1992 and terminated on 28 February 2002 or the new share option scheme adopted on 28 February 2002.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that Public Bank held a beneficial interest in 434,408,110 ordinary shares of HK\$0.10 each in the Company, representing approximately a 61.38% shareholding.

Tan Sri Dato' Dr. Teh Hong Piow was also deemed to be a substantial shareholder of the Company by virtue of his interest in Public Bank, the ultimate holding company.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2002.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the 2002 Interim Report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. 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.

REVIEW BY AUDIT COMMITTEE

The 2002 Interim Report has been reviewed by the Company's Audit Committee which comprises two Independent Non-Executive Directors and a Non-Executive Director.

By Order of the Board
Tan Sri Dato' Dr. Teh Hong Piow
Chairman

Hong Kong, 17 July 2002