



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

“I am pleased to present a review of the results of the Group for the financial year ended 31 December 2002”

Group Performance

During the year under review, Hong Kong's economy was faced with structural problems with high unemployment, plunging property prices and a record personal bankruptcy petitions. Weak loan demands and pressure on margins have continued to depress the financial sector. Amidst such a difficult operating and challenging environment, JCG Holdings Limited (the “Company”) and its subsidiaries (the “Group”) recorded a profit after tax and minority interests of HK\$237.3 million, representing a decrease of 44.7% or HK\$191.5 million when compared to HK\$428.8 million in the previous year. Accordingly, the Group's earnings per share decreased to 33.5 cents per share from 60.7 cents per share. The directors recommended the payment of a final dividend of 13.5 cents per share. Together with the interim dividend of 4.5 cents per share already paid, the total dividends for the year 2002 was 18 cents per share.

The decline in the Group's net profit was mainly attributed to a higher than expected increase in bad debts charge of JCG Finance Company, Limited (“JCG Finance”), resulted mainly from a high level of personal bankruptcies of its consumer loan customers. During the year, the Group's provisions for bad and doubtful debts increased sharply by 52.6% or HK\$164.4 million to HK\$477.2 million from HK\$312.8 million in the previous year. The Group's other major operating subsidiary, Winton Holdings (Bermuda) Limited (“Winton”) and its subsidiaries (the “Winton Group”), also recorded a decline in profit after tax by 51.2% or HK\$37.4 million to HK\$35.6 million when compared to the previous year, mainly due to a decrease in revenue income from lower taxi financing activities.

At the operating level before provisions, the performance of the Group for the year ended 31 December 2002 was considered satisfactory, with an operating profit before provisions of HK\$738.9 million, a decrease of HK\$86.5 million or 10.5% from HK\$825.4 million recorded in the previous year. The Group's net interest income decreased by 8.1% or HK\$67.9 million to HK\$771.2 million. Interest income decreased by 13.8% or HK\$128.4 million mainly due to a decrease in gross loans and advances and interest expense fell by 67.4% or HK\$60.4 million to HK\$29.2 million from lower interest rates contracted on customer deposits of JCG Finance and full settlement of the bank borrowings by Winton Group.

The Group's non-interest operating income decreased by 15.9% or HK\$31.8 million to HK\$168.0 million mainly due to the decrease in loan processing and related fees from a lower volume of consumer loans booked by JCG Finance during the year.

The Group's operating expenses decreased by 6.2% or HK\$13.3 million to HK\$200.2 million for the year when compared to the previous year and the cost to operating income ratio remained low at 21.3% in 2002.

Group Performance (Continued)

As at 31 December 2002, the Group's total gross loans and advances decreased by 5.7% or HK\$209.6 million to HK\$3,466.2 million from HK\$3,675.8 million at the end of December 2001. JCG Finance's gross loans and advances decreased by 4.4% or HK\$141.1 million to HK\$3,100.7 million from HK\$3,241.8 million at the end of December 2001, which resulted from an aggressive write-off of bad debts of HK\$476.7 million mainly due to personal bankruptcies and lower volume of consumer loans transacted during the year. Winton Group's gross loans and advances also declined by 15.8% or HK\$68.5 million to HK\$365.5 million at the end of December 2002 mainly due to write-off of taxi financing loans, early settlements and lower volume of taxi financing loans booked.

As at 31 December 2002, the shareholders' funds of the Group increased slightly by 0.3% or HK\$10.2 million to HK\$3,276.6 million from HK\$3,266.4 million as at 31 December 2001. At the same time, the capital adequacy ratio of JCG Finance strengthened further to 38.96% as at 31 December 2002 from 37.74% as at end of the previous year.

Prospects

The operating environment in Hong Kong is expected to remain difficult and challenging with the unemployment rate and the number of personal bankruptcies expected to remain high in the near term, and consumer demand is anticipated to remain weak. To face the challenges ahead, the Group will continue to focus on marketing and promoting consumer loans to selected market segments to attract new and better quality customers to expand its customer base. The Group will continue to look for opportunities to expand JCG Finance's branch network beyond its existing 40 branches, thus maintaining its position as the largest deposit taking company in Hong Kong in terms of branch network. The Group will continue to relocate some of the branches to improve their visibility and accessibility and enhance customer service quality to meet the changing demands of customers. The Group will continue to strengthen its credit risk management and adopt a conservative approach towards its consumer loans business in light of the high level of personal bankruptcies in Hong Kong.

The Group will continue to focus on developing its taxi financing and taxi trading businesses. With a well established panel of financiers and network of taxi dealers, the Group is positioned to grow its taxi financing and taxi trading businesses in 2003.

Acknowledgement

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

Tan Sri Dato' Sri Dr. Teh Hong Piow

Chairman