

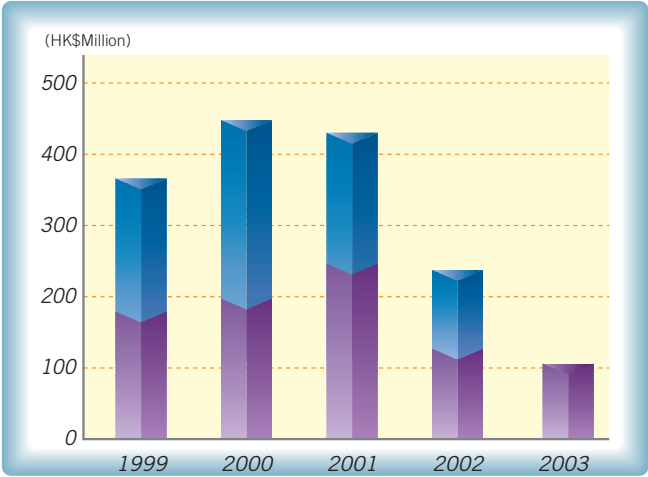
INTERIM RESULTS

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 2003 with comparative figures are as follows:

Condensed Consolidated Profit and Loss Account

		For the six months ended 30 June	
		2003	2002
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	<i>Notes</i>		
Interest income		373,528	404,315
Interest expense		(20,563)	(11,299)
NET INTEREST INCOME		352,965	393,016
Other operating income	2	81,524	87,527
OPERATING INCOME		434,489	480,543
Operating expenses	3	(90,775)	(97,252)
OPERATING PROFIT BEFORE PROVISIONS		343,714	383,291
Provisions for bad and doubtful debts	4	(223,792)	(232,612)
PROFIT BEFORE TAX		119,922	150,679
Tax	5	(18,295)	(18,764)
PROFIT BEFORE MINORITY INTERESTS		101,627	131,915
Minority interests		129	(5,258)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		101,756	126,657
DIVIDENDS	6	28,310	31,849
EARNINGS PER SHARE (cents)	7		
Basic		14.4	17.9
Diluted		N/A	N/A

Net Profit



6 months ended 30 June 6 months ended 31 December

Condensed Consolidated Balance Sheet

	<i>Notes</i>	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
ASSETS			
Cash and short term placements	8	1,404,649	1,444,612
Placements with banks and financial institutions maturing between one and twelve months	9	161,808	128,368
Loans and advances	10	2,965,016	3,134,806
Other assets	11	234,301	279,341
Long term investment		9,016	7,889
Investment properties		60,080	60,080
Interests in an associate		–	–
Negative goodwill		(92,163)	–
Fixed assets		292,006	296,515
TOTAL ASSETS		5,034,713	5,351,611
LIABILITIES			
Customer deposits	12	1,638,768	1,774,336
Other liabilities	13	81,455	85,134
TOTAL LIABILITIES		1,720,223	1,859,470
CAPITAL RESOURCES			
Share capital		70,776	70,776
Reserves		3,215,404	3,110,295
Proposed dividend		28,310	95,547
Shareholders' funds		3,314,490	3,276,618
Minority interests		–	215,523
TOTAL CAPITAL RESOURCES		3,314,490	3,492,141
TOTAL LIABILITIES AND CAPITAL RESOURCES		5,034,713	5,351,611

Condensed Consolidated Summary Statement of Changes in Equity

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
TOTAL EQUITY		
Balance at beginning of period	3,276,618	3,266,370
Surplus on revaluation of long term equity investments	1,127	805
Gain on redemption of minority interests in prior year net of loss on diluted shareholdings of a subsidiary	30,536	–
Net gains not recognised in the consolidated profit and loss account	31,663	805
Net profit from ordinary activities attributable to shareholders	101,756	126,657
Dividends paid on ordinary shares	(95,547)	(166,320)
Issue of shares	–	3,262
	6,209	(36,401)
Balance at end of period	3,314,490	3,230,774
Analysed by principal components:		
	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Share capital	70,776	70,776
Share premium account	1,209,593	1,209,593
Capital redemption reserve	829	829
Contributed surplus	96,116	96,116
Capital reserve	85,569	55,033
Translation reserve	428	428
Long term investment revaluation reserve	8,753	7,626
Retained profits	1,814,116	1,740,670
Proposed dividend	28,310	95,547
	3,314,490	3,276,618

Condensed Consolidated Cash Flow Statement

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
NET CASH FLOWS FROM:		
OPERATING ACTIVITIES	181,959	145,125
INVESTING ACTIVITIES	(92,935)	(995)
FINANCING ACTIVITIES	(95,547)	(170,461)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,523)	(26,331)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,572,980	828,497
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,566,457	802,166
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and short term placements	1,404,649	709,795
Placements with banks and financial institutions maturing within three months	161,808	92,371
	1,566,457	802,166

Notes to the Condensed Consolidated Financial Statements

1. Statement of compliance and accounting policies

The 2003 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 this report are consistent with those adopted in the Group's audited 2002 annual financial statements except for the adoption of the revised SSAP 12 "Income Taxes" that prescribes the accounting treatment for income taxes to account for the current and future tax consequences of the future recovery and settlement of the carrying amount of assets and liabilities in the Group's balance sheet and transactions during the current period that should be recognised in the Group's financial statements. The principal impact of the revision of this SSAP on this report is presented in notes 5 and 14 which are now more extensive than previously required and include a reconciliation between the accounting profit and the tax expense for the period.

2. Other operating income

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Fees and commission income	75,430	79,740
Gross rental income	2,644	2,600
Less: Outgoing expenses	(142)	(190)
Net rental income	2,502	2,410
(Loss)/Gain on disposal of fixed assets	(87)	3
Net profit from trading activities	2,246	3,069
Dividends from listed investments	346	201
Others	1,087	2,104
	81,524	87,527

Net profit from trading activities has been arrived at after netting off the cost of inventories sold in the amount of HK\$100,862,000 (2002: HK\$73,378,000).

3. Operating expenses

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Staff costs:		
Salaries and other staff costs	40,052	42,166
Pension contributions	3,208	3,248
Less: Forfeited contributions	(204)	(169)
Net pension contributions	3,004	3,079
	43,056	45,245
Other operating expenses:		
Operating lease rentals on land and buildings	10,433	10,392
Depreciation	5,008	4,887
Amortisation of intangible assets	13	13
Auditors' remuneration	828	892
Amortisation and write off of commission expenses	1,448	1,515
Write back for other doubtful debtors	(1,892)	(230)
Administrative and general expenses	7,004	7,153
Others	24,877	27,385
	90,775	97,252

As at 30 June 2003, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2002: 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	
	2003	2002
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Specific charge	237,145	244,870
General charge	(7,215)	(6,134)
	229,930	238,736
Loan recoveries	(6,138)	(6,124)
Net charge to the profit and loss account	223,792	232,612

5. Tax

	For the six months ended 30 June	
	2003	2002
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Accounting profit before tax	119,922	150,679
Tax at the applicable tax rate of 17.5% (2002: 16.0%)	20,986	24,109
Tax effect of net (income)/expense that is not (taxable)/deductible in determining taxable profit	(2,569)	255
Tax effect of applicable tax loss that reduce current tax expense	(1,400)	(5,600)
Increase in opening deferred taxes resulting from increase in tax rate	1,278	–
	18,295	18,764
Analysed by principal components:		
Current tax expense	22,438	18,764
Deferred tax income relating to the reversal of temporary differences	(5,421)	–
Deferred tax expense resulting from increase in tax rate	1,278	–
	18,295	18,764

No Hong Kong or overseas profits tax has been provided for associates as the associates did not generate any assessable profits in Hong Kong, SAR or elsewhere during the period (2002: Nil).

6. Dividends

	For the six months ended 30 June			
	2003	2002	2003	2002
	Cents per ordinary share		HK\$'000	HK\$'000
Proposed interim dividend	4.0	4.5	28,310	31,849

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\$101,756,000 (2002: HK\$126,657,000) and the weighted average number of 707,758,412 (2002: 707,563,064) ordinary shares in issue during the period.

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2003 has not been calculated as no diluting events existed.

The calculation of diluted earnings per share for the six months ended 30 June 2002 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 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Cash and balances with banks and other financial institutions	73,577	76,608
Money at call and short notice	1,331,072	1,368,004
	1,404,649	1,444,612

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

An amount of HK\$5,000,000 (2002: HK\$5,000,000) of the Group's placements with banks was pledged to a bank for credit facilities of HK\$5,000,000 (2002: HK\$5,000,000) granted to the Group. The credit facilities were not utilised during the period (2002: Nil).

10. Loans and advances

(a) Advances to customers

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Loans and advances to customers	3,310,213	3,466,228
Provisions for bad and doubtful debts:		
Specific	(144,141)	(123,151)
General	(201,056)	(208,271)
	(345,197)	(331,422)
	2,965,016	3,134,806

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 2003 and 31 December 2002 is analysed by the remaining periods to their contractual maturity dates as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Repayable:		
On demand	44,355	51,352
Three months or less	606,229	680,971
One year or less but over three months	1,153,202	1,249,638
Five years or less but over one year	678,192	649,102
After five years	607,318	631,789
Undated	220,917	203,376
	3,310,213	3,466,228

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

	30 June 2003 (Unaudited)		31 December 2002 (Audited)	
	HK\$'000	%*	HK\$'000	%*
Gross advances to customers which have been:				
Overdue for over three months on which interest has ceased to be accrued:				
Six months or less but over three months	91,655	2.8	96,980	2.8
One year or less but over six months	60,477	1.8	43,241	1.2
Over one year	59,321	1.8	56,133	1.6
	211,453	6.4	196,354	5.6
Overdue for three months or less, but interest on which has ceased to be accrued	45,346	1.4	39,765	1.2
	256,799	7.8	236,119	6.8
Rescheduled and overdue for six months or less but over three months	62,964	1.9	–	–
Total non-performing loans and advances	319,763	9.7	236,119	6.8
Specific provisions	(133,364)		(123,151)	
	186,399		112,968	

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

- (c) Interest-accrual rescheduled loans

	30 June 2003 (Unaudited)		31 December 2002 (Audited)	
	HK\$'000	%*	HK\$'000	%*
Gross advances to customers which have been rescheduled	–	–	62,968	1.8

* Percentage of total loans and advances

11. Other assets

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Inventories	56,926	37,674
Interest receivable	65,852	89,291
Tax recoverable	1,652	15,827
Other debtors, deposits and prepayments	104,951	130,388
Deferred expenditure	4,756	5,984
Intangible assets	164	177
	234,301	279,341

Other assets are shown net of provisions.

Included in other debtors, deposits and prepayments were HK\$79,570,000 (2002: HK\$89,147,000), which were secured by taxi licences, cash and a property. Full provision has been made for the unsecured portion.

As at 31 December 2002, included in other debtors, deposits and prepayments was an investment in a partnership, net of impairment, of HK\$28,051,000.

As at 31 December 2002, included in other debtors, deposits and prepayments were trade receivables of HK\$6,000. As the trade receivables were immaterial to the Group, the maturity profile thereof has not been 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 2003 and 31 December 2002 is analysed by the remaining periods to their contractual maturity dates as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Repayable:		
On demand	6,790	6,420
Three months or less	1,144,797	1,340,982
One year or less but over three months	449,797	330,239
Five years or less but over one year	37,384	96,695
	1,638,768	1,774,336

All the customer deposits were time deposits repayable at maturity dates.

13. Other liabilities

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Creditors, accruals and interest payable	67,621	66,892
Provision for long service payments	4,346	4,611
Deferred tax (<i>Note 14</i>)	9,488	13,631
	81,455	85,134

As the trade payables are immaterial to the Group, the maturity profile thereof has not been disclosed.

14. Deferred tax

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
At beginning of period/year	13,631	9,690
Adjustment to opening deferred tax resulting from increase in tax rate	1,278	–
(Income)/Expense for the period/year	(5,421)	3,941
At end of period/year	9,488	13,631
Analysed by principal components:		
Interest receivable that will be taxable only when received	7,560	9,630
Prepaid expense deducted from taxable profits in earlier years	1,127	3,200
Tax benefit arising from investment in partnership	801	801
	9,488	13,631

15. Operating lease arrangements

As at 30 June 2003, the Group had total future minimum lease rental payables under non-cancellable operating leases falling due as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Within one year	16,425	16,493
In the second to fifth years, inclusive	14,108	10,214
	30,533	26,707

16. Commitments

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Capital commitments:		
Contracted for, but not provided in the financial statements	85	125

17. Undrawn loan facilities

The undrawn loan facilities related to customers of JCG Finance Company, Limited ("JCG Finance").

	30 June 2003		31 December 2002	
	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	27,692	–	29,112	–

Undrawn loan facilities of HK\$20,000,000 (2002: HK\$20,000,000) were granted to a subsidiary.

During the six months ended 30 June 2003 and the year ended 31 December 2002, no derivative activities were transacted.

18. Contingent liabilities

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Guarantees under the co-financing arrangements given to the ultimate holding company	–	770

19. 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	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Commission income from the ultimate holding company for referrals of taxi financing loans	2,751	5,943
Interest paid to a fellow subsidiary for unsecured revolving credit facilities	–	1,084
Interest income from a fellow subsidiary	–	1,435
Interest income from the ultimate holding company	3,301	895
Rental income from the ultimate holding company	329	418
Management fees from the ultimate holding company	86	82

20. Comparative figures

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

SUPPLEMENTARY INFORMATION (UNAUDITED)

Segmental Information

(a) By class of business

	For the six months ended 30 June 2003		30 June 2003
	Operating income <i>HK\$'000</i>	Profit before tax <i>HK\$'000</i>	Total assets <i>HK\$'000</i>
Personal and commercial lending	430,061	119,585	4,969,243
Taxi trading and related operations, and other businesses	7,807	337	155,981
Inter-segment transactions	(3,379)	–	–
Unallocated assets	–	–	1,652
Negative goodwill	–	–	(92,163)
	434,489	119,922	5,034,713

	For the six months ended 30 June 2002		30 June 2002
	Operating income <i>HK\$'000</i>	Profit before tax <i>HK\$'000</i>	Total assets <i>HK\$'000</i>
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-segment transactions	(3,035)	–	–
	480,543	150,679	4,636,559

(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. Accordingly, further geographical segmental information is not presented herein.

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

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial:		
– Property development	–	12,715
– Property investment	62,114	50,287
– Wholesale and retail trade	149	246
– Manufacturing	2,241	2,303
– Licensed public vehicles	686,087	723,784
– Others	2,590	5,508
Individuals:		
– Loans for the purchase of residential properties	37,780	44,803
– Credit card advances	5,225	6,560
– Others	2,424,692	2,530,358
Loans for use outside Hong Kong	89,335	89,664
	3,310,213	3,466,228

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

The respective Boards of Directors of the subsidiaries are responsible for oversight of risks and approval of risk management policies. The Internal Audit Department of the Group performs regular audits to ensure compliance with the policies and reports directly to the Audit Committee of the Company.

(a) Credit risk

Credit risk is the risk associated with a customer or counterparty being unable to meet a commitment when it falls due, and arises from the lending activities undertaken 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 and its subsidiaries (the “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. The 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 2002 Annual Report. During the period, the 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 2003 Unadjusted ratio	31 December 2002 Unadjusted ratio
Capital adequacy ratio	40.87%	38.96%
	For the six months ended 30 June 2003	2002
Average liquidity ratio	98.43%	132.67%

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

	30 June 2003 HK\$'000	31 December 2002 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)	556,503	557,420
	1,227,541	1,228,458
Eligible supplementary capital:		
Reserve on revaluation of securities not held for trading purposes	6,127	5,338
General provisions for doubtful debts	40,593	42,634
	46,720	47,972
Total capital base before deductions	1,274,261	1,276,430
Deductions from total capital base	(10)	(10)
Total capital base after deductions	1,274,251	1,276,420

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 has declared an interim dividend of 4.0 cents (2002: 4.5 cents) per share payable on 28 August 2003 to shareholders whose names appear on the register of members of the Company on 15 August 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 11 August 2003 to 15 August 2003, 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 branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 8 August 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2003, the Group recorded a profit after tax and minority interests of HK\$101.8 million, representing a decrease of 19.7% or HK\$24.9 million as compared to the previous corresponding period. The Group's earnings per share decreased by 3.5 cents per share to 14.4 cents per share. The directors have declared the payment of an interim dividend of 4.0 cents per share for the six months ended 30 June 2003.

At the operating level before bad debts provisions, the Group's operating profit for the period under review decreased by 10.3% or HK\$39.6 million to HK\$343.7 million from HK\$383.3 million for the corresponding period in the previous year. The Group's provision for bad and doubtful debts for the six months ended 30 June 2003 decreased slightly by 3.8% or HK\$8.8 million to HK\$223.8 million as compared to the corresponding period in the previous year. Despite a gradual decline in the number of personal bankruptcy petitions from the Group's customers in the period under review, the Group's bad debt charge from its consumer loans for the six months ended 30 June 2003 was still high as the Hong Kong economy remained weak with high unemployment rate. Consequently, the Group's profit before tax decreased by 20.4% or HK\$30.8 million to HK\$119.9 million from HK\$150.7 million for the corresponding period in the previous year.

The Group's interest income decreased by 7.6% or HK\$30.8 million to HK\$373.5 million mainly due to the decrease in its gross loans and advances. The Group's interest expense increased by 82.0% or HK\$9.3 million to HK\$20.6 million mainly due to the significant increase in its customer deposits when compared to the corresponding period in the previous year. As a result, the Group's net interest income decreased by 10.2% or HK\$40.0 million to HK\$353.0 million from HK\$393.0 million in the period under review.

The Group's other non-interest operating income decreased by 6.9% or HK\$6.0 million to HK\$81.5 million, mainly attributed to a decrease in loan processing and related fees from lower volume of loans transacted, and decrease in contribution from taxi trading and related operations in the period under review.

The Group's operating expenses decreased by 6.7% or HK\$6.5 million to HK\$90.8 million for the period under review when compared to the previous corresponding period. The Group continued to keep a tight control over its operating costs, and maintained its cost to operating income of 20.9% for the six months ended 30 June 2003.

As at 30 June 2003, the Group's total gross loans and advances decreased marginally by 4.5% or HK\$156.0 million to HK\$3,310.2 million from HK\$3,466.2 million at the end of December 2002 after writing off bad debts of HK\$216.2 million, mainly due to personal bankruptcies and bad debts from consumer loans, and a lower volume of consumer loans booked in the period under review.

Segmental 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 in the previous year, the Group's operating income of personal and commercial lending decreased by 8.4% to HK\$430.1 million. However, profit before tax decreased by 20.3% to HK\$119.6 million in personal and commercial lending mainly due to lower operating income and high level of provisions of bad debts in the period under review.

Privatisation of Winton

On 3 December 2002, Winton announced a proposed privatisation by way of a scheme of arrangement and withdrawal of its listing from the Stock Exchange. Following the Court Meeting and Special General Meeting held on 27 February 2003, Winton was privatised on 26 March 2003 under section 99 of the Companies Act 1981 of Bermuda and became a wholly-owned subsidiary of the Company. The listing status of Winton's shares was then withdrawn from the Stock Exchange on 27 March 2003 accordingly.

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 2002 Annual Report.

The Group relied principally on its internally generated capital and customer deposits to fund its personal and commercial lending, taxi trading and other businesses. The principal source of internally generated capital is from retained earnings.

Based on bank borrowings to shareholders' funds, the gearing ratio of the Group as at the end of June 2003 was nil.

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 2002 Annual Report.

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

Human Resource Management

The objectives of the Group's human resource management are essentially the same as that disclosed in the Company's 2002 Annual Report. As at the end of June 2003, the Group had a staff force of about 470 people. For the six months ended 30 June 2003, the Group's staff costs amounted to HK\$43.1 million.

Contingent Liabilities

At the end of June 2003, the outstanding guarantee given to the co-financing banks under the co-financing arrangement was nil. There was also no other material contingent liability under the Group at the end of the same period.

Prospects

With competition for consumer loans anticipated to remain intense in the second half of 2003, the Group will launch more aggressive marketing and promotion activities to selected market segments in attracting new and better quality customers to expand its customer base in consumer loans. As the unemployment rate and level of personal bankruptcies in Hong Kong are expected to remain high in the near term, the Group will continue to strengthen its credit risk management and apply more stringent credit assessment and set prudent loan limits for its consumer loan business. With the implementation of the sharing of positive credit data for consumer credit in Hong Kong in the second half of this year, the Group will be in a better position to assess the credit worthiness of its consumer loan customers.

The outbreak of SARS in Hong Kong has adversely affected the recovery of Hong Kong's economy and unemployment rate, both of which are expected to have a dampening effect on the demand for consumer loans in the short term.

The Group will continue to focus on its consumer loan business and further promote its taxi financing and taxi trading businesses with its established panel of financiers and taxi dealers.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2003, the directors' interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(a) Directors' interest in shares

Interests in	Name of director	Number of ordinary shares		
		Corporate interests	Personal interests	Family interests
1. The Company	Tan Sri Dato' Sri			
	Dr. Teh Hong Piow	434,408,110	–	–
	Tan Yoke Kong	–	150,000	–
2. Public Bank Berhad ("Public Bank"), the ultimate holding company	Tan Sri Dato' Sri			
	Dr. Teh Hong Piow	1,233,613,519	1,250,000	–
	Datuk Tay Ah Lek	223,172	225,950	–
	Dato' Yeoh Chin Kee	–	–	30,000
	Wong Kong Ming	–	146,020	–

Tan Sri Dato' Sri 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 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' Sri Dr. Teh Hong Piow is also deemed to be interested in the non wholly-owned subsidiaries of Public Bank and of the Company, to the extent of Public Bank's or the Company'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.

(b) Directors' interests in underlying shares

Interests in	Name of director	Number of ordinary shares attached to the share options			Exercise price	Exercisable period
		At the beginning of the period	Granted/ (Exercised) during the period	At the end of the period		
Public Bank	Tan Sri Dato' Sri Dr. Teh Hong Piow	250,000	–	250,000	RM1.02	10.4.1998 to 24.2.2005
		75,000	–	75,000	RM1.02	23.4.2001 to 24.2.2005
		36,360,000	–	36,360,000	RM2.22	6.6.2002 to 24.2.2005
		81,250	–	81,250	RM1.02	18.7.2002 to 24.2.2005
		9,090,000	–	9,090,000	RM2.22	18.7.2002 to 24.2.2005
		45,856,250	–	45,856,250		
	Datuk Tay Ah Lek	175,000	–	175,000	RM1.02	10.4.1998 to 24.2.2005
		52,500	–	52,500	RM1.02	23.4.2001 to 24.2.2005
		10,000,000	–	10,000,000	RM2.22	6.6.2002 to 24.2.2005
		56,875	–	56,875	RM1.02	18.7.2002 to 24.2.2005
		2,500,000	–	2,500,000	RM2.22	18.7.2002 to 24.2.2005
		12,784,375	–	12,784,375		
	Wong Kong Ming	100,000	–	100,000	RM2.22	6.6.2002 to 24.2.2005
		25,000	–	25,000	RM2.22	18.7.2002 to 24.2.2005
		125,000	–	125,000		

Note:

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"). 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 two years to 25 February 2005. Hence, the exercisable period of the options has also been extended up to and including 24 February 2005. The number of share options and the exercise prices were adjusted pursuant to the Public Bank bonus issues on 23 April 2001 and 18 July 2002. 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.

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 2003, the particulars in relation to the share option schemes 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 and SSAP 34, were as follows:

(a) Share option scheme of the Company

Since the adoption of the share option scheme 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 of the Company, its holding company or any of its subsidiaries and associates.

(b) Share option scheme of Winton

Since the adoption of the share option scheme on 28 February 2002, no options to subscribe for ordinary shares in Winton have been granted to any eligible participants, including directors or their respective associates or employees of Winton or any of its holding companies, subsidiaries and associates.

MAJOR SHAREHOLDERS

As at 30 June 2003, the register of interests in shares and short positions kept under Section 336 of the SFO showed that, other than the interests disclosed above in respect of Tan Sri Dato' Sri Dr. Teh Hong Piow, and as far as the directors of the Company is aware, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Name	Number of ordinary shares	Percentage of issued share capital
1. Public Bank	434,408,110	61.38
2. The Capital Group Company, Inc.	53,505,000	7.56

Save as disclosed above, the directors of the Company are not aware of any person who is, directly or indirectly, interested in 5% 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 OF THE COMPANY

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 2003.

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 this 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

This report has been reviewed by the Company's Audit Committee which comprises two Independent Non-executive Directors and one Non-executive Director.

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

Hong Kong, 18 July 2003