



Notes to Financial Statements

1. CORPORATE INFORMATION

The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM 11, Bermuda.

During the year, the Group's principal activities were deposit taking, personal and commercial lending, 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 significant changes in the nature of the Group's principal activities during the year.

On 3 December 2002, Winton announced a proposed privatisation by way of a scheme of arrangement and withdrawal of the listing of its shares 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 The listing status of Winton's shares was then withdrawn from the Stock Exchange on 27 March 2003 accordingly.

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

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

The following recently-issued and revised SSAP and related interpretation have been adopted for the first time in the preparation of the current year's consolidated financial statements and had a significant impact thereon:

- SSAP 12 (Revised): Income taxes
- Interpretation 20: Income taxes – Recovery of revalued non-depreciable assets

This SSAP and the Interpretation prescribe new accounting measurement and disclosure practices. The major effects of adopting this SSAP and the Interpretation on the Group's accounting policies and on the disclosures in the financial statements are summarised as follows:

SSAP 12 prescribes the accounting treatment for current income taxes payable or recoverable, arising from the taxable profit or loss for the current period; and deferred income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses.

The principal impact of the revision of this SSAP on the financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other material taxable and deductible temporary differences are generally provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future;
- a deferred tax liability has been recognised on the revaluation of the Group's investment properties; and
- a deferred tax asset has been recognised for tax losses arising in the current/prior periods to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.



Notes to Financial Statements

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE (“SSAP”) (Continued)

Disclosures:

- deferred tax assets and liabilities are presented separately on the balance sheet, whereas previously they were presented on a net basis; and
- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 11 and 30 and include a reconciliation between the accounting profit and tax expense for the year.

Details of these changes and the prior year adjustments arising from them are included in the accounting policy for income tax in note 3 and further disclosed in note 30.

Interpretation 20 requires that a deferred tax asset or liability that arises from the revaluation of certain non-depreciable assets and investment properties is measured based on the tax consequences that would follow from the recovery of the carrying amount of that asset through sale. This policy has been applied by the Group in respect of the revaluation of its investment properties in the deferred tax calculated under SSAP 12.

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 2003. 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

Positive/(negative) goodwill arising on the acquisition of subsidiaries and associates represents the excess/(deficit) of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

In prior years, positive/(negative) goodwill arising on acquisitions was eliminated against/(credited to) consolidated reserves in the year of acquisition. Upon SSAP 30 becoming effective, the Group adopted the transitional provision of SSAP 30 that permits positive/(negative) goodwill on acquisitions, which occurred prior to 1 January 2001, to remain eliminated against/(credited to) consolidated reserves.

For acquisitions subsequent to the adoption of SSAP 30, negative goodwill is shown as carrying amount, net of amortisation, in the balance sheet and the negative goodwill is amortised over five years on a straight-line basis.

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 goodwill which remains unamortised and any relevant reserves, as appropriate.

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



Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, 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 impairment losses.

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.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or carrying amount, except for certain leasehold land and buildings which were transferred from investment properties, which 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 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.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an 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 asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.



Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets (Continued)

An impairment loss is recognised only if the carrying amount of any asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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 losses.

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, if any. 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.

Long term investments

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

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.



Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash at bank and in hand, net of outstanding bank overdrafts and short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

For the purpose of balance sheet classification, cash and cash equivalents comprise cash at bank and in hand including short term deposits and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carry amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.



Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions for bad and doubtful debts

Provisions are made against loans and advances in accordance with guidelines on the loan classification system issued by 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 special mention, 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 to the unsecured portion of the loans classified as special mention, 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 specific provision of 2% is applied to secured floating rate taxi financing loans classified as special mention.

A general provision of 2% is applied to secured loans classified as pass; and a general provision of 3% to 30% is applied to 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 such as bankruptcy petitions of borrowers.

Reposessed assets

Reposessed assets refer to the assets reposessed by the Group when secured loans have been overdue and the borrower has been unable to settle the payments in arrears after the Group has exhausted all collection efforts. Action is taken to repossess the assets by the Group via court proceedings or voluntary actions for release in full or in part the obligations of the borrowers. Specific provisions are made for the shortfall in the net realisable value of reposessed assets against the outstanding loans, if any. If the proceeds from subsequent sales of the assets still cannot fully cover the outstanding loans, the amount of outstanding loans net of sales proceeds will be written off and the specific provision that has been made will be reversed accordingly.

Co-financing operations

The Group and its co-financing banks jointly provide hire purchase loans under the Co-financing Arrangements. The amounts receivable by the Group in connection with its hire purchase financing activities 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.

Commission expenses, after netting off any related commission receivable from co-financing banks under the Co-financing Arrangements, 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.

Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries are translated to Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated to Hong Kong dollars at the weighted average exchange rates for the year. The balance sheets of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.



Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

In previous years, the profit and loss accounts and the cash flows of overseas subsidiaries were translated to Hong Kong dollars at the exchange rates at the balance sheet date. The change in the treatment of such items in the current year has, however, had no significant effect on these financial statements.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Retirement benefit schemes

The Group operates two 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 ORSO 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 an employee leaves MPF Scheme, the Group's mandatory contributions vest fully with the employee.

Share option scheme

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled or which lapse prior to their exercise date are deleted from the register of outstanding options and have no impact on the profit and loss account or balance sheet.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance of Hong Kong in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of probable future long service payments based on the best estimate of the probable future outflow of resources which has been earned by the employees from their service to the Group to the balance sheet date.

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 as set out under the heading "Co-financing operations". Interest income arising from loans and advances ceases to accrue when there are more than two and three overdue instalments for unsecured and secured loans, respectively;



Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

- (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 has been 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 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.

4. SEGMENTAL 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.

(a) By 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 segment mainly comprises the granting of personal loans, overdrafts, property mortgage loans, hire purchase loans to individuals and small to medium sized manufacturing companies and the provision of finance to purchasers of licensed public vehicles such as taxis and public light buses.
- Taxi trading and related operations, and other businesses segment mainly comprise the taxi trading and the leasing of taxis, securities dealing and the letting of investment properties.

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



Notes to Financial Statements

4. SEGMENTAL INFORMATION (Continued)

(a) By business segments (Continued)

The following tables represent revenue and profit information for these segments for the years ended 31 December 2003 and 2002, and certain asset and liability information regarding business segments as at 31 December 2003 and 2002.

Group	Personal and commercial lending		Taxi trading and related operations, and other businesses		Eliminated on consolidation		Total	Total
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
								(Restated)
Segment revenue								
Net interest income	690,897	771,160	64	-	-	-	690,961	771,160
Other operating income:								
Fees and commission income	139,851	147,627	1,325	6,558	-	-	141,176	154,185
Others	3,566	4,761	6,813	9,012	-	-	10,379	13,773
Inter-segment transactions	-	-	6,746	7,147	(6,746)	(7,147)	-	-
	834,314	923,548	14,948	22,717	(6,746)	(7,147)	842,516	939,118
Unallocated revenue:								
Amortisation of negative goodwill							18,433	-
							860,949	939,118
Segment results	237,063	255,206	6,408	6,496	-	-	243,471	261,702
Amortisation of negative goodwill and intangible asset							18,408	-
Unallocated expenses							(2,416)	-
Gain on disposal of an associate							-	3,557
Profit before tax							259,463	265,259
Tax							(27,460)	(28,438)
Minority interests							130	517
Net profit from ordinary activities attributable to shareholders							232,133	237,338
Segment assets	4,732,414	5,210,030	150,746	125,754	-	-	4,883,160	5,335,784
Interest in an associate	-	-	-	-	-	-	-	-
Total segment assets	4,732,414	5,210,030	150,746	125,754	-	-	4,883,160	5,335,784
Unallocated assets:								
Negative goodwill and intangible asset							(73,578)	-
Tax recoverable and deferred tax assets							43,508	49,150
Total assets							4,853,090	5,384,934
Segment liabilities	1,353,053	1,799,693	38,701	46,146	-	-	1,391,754	1,845,839
Unallocated liabilities:								
Declared second interim dividend							141,552	-
Deferred tax liabilities							15,503	22,229
Total liabilities							1,548,809	1,868,068



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4. SEGMENTAL INFORMATION (Continued)

(a) By business segments (Continued)

Group	Personal and commercial lending		Taxi trading and related operations, and other businesses		Eliminated on consolidation		Total	Total
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segmental information extracted from the profit and loss account and balance sheet								
Capital expenditure	34,440	2,502	-	4	-	-	34,440	2,506
Amortisation and write off of commission expenses	3,444	3,287	-	-	-	-	3,444	3,287
Depreciation	9,669	9,739	-	120	-	-	9,669	9,859
Deficit on revaluation of investment properties	-	-	690	4,022	-	-	690	4,022
Provisions for bad and doubtful debts	415,173	477,213	-	-	-	-	415,173	477,213
Write back for other doubtful debts	(3,793)	(2,068)	-	-	-	-	(3,793)	(2,068)

(b) By geographical segments

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 segment information is not presented in the financial statements.

5. OTHER OPERATING INCOME

	Group	
	2003 HK\$'000	2002 HK\$'000
Fees and commission income	141,176	154,185
Gross rental income	5,296	5,283
Less: Outgoing expenses	(379)	(446)
Net rental income	4,917	4,837
Loss on disposal of fixed assets	(114)	(137)
Net profit from trading activities	2,578	5,573
Dividends from listed investments	491	266
Others	2,507	3,234
Operating income before amortisation of negative goodwill	151,555	167,958
Amortisation of negative goodwill	18,433	-
	169,988	167,958

Net profit from trading activities was arrived at after netting off the cost of inventories sold in the amount of HK\$378,528,000 (2002: HK\$194,726,000).



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6. OPERATING EXPENSES

	Group	
	2003 HK\$'000	2002 HK\$'000
Staff costs:		
Salaries and other staff costs	78,632	83,739
Pension contributions	6,350	6,449
Less: Forfeited contributions	(225)	(245)
Net pension contributions	6,125	6,204
	84,757	89,943
Other operating expenses:		
Operating lease rentals on land and buildings	20,252	20,697
Depreciation	9,669	9,859
Amortisation of intangible asset	25	25
Auditors' remuneration	1,442	1,742
Deficit on revaluation of investment properties	690	4,022
Amortisation and write off of commission expenses	3,444	3,287
Write back for other doubtful debts	(3,793)	(2,068)
Administrative and general expenses	18,788	15,775
Others	51,039	56,921
	186,313	200,203

As at 31 December 2003, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2002: Nil). The current year credits arose in respect of staff who left the scheme during the year.

7. LOANS AND ADVANCES

(a) Advances to customers and other accounts

	Group	
	2003 HK\$'000	2002 HK\$'000
Loans and advances to customers	3,133,461	3,466,228
Interest receivable	57,750	88,572
Provisions for bad and doubtful debts (note 8):		
Specific	(116,273)	(123,151)
General	(191,781)	(208,271)
	(308,054)	(331,422)
	2,883,157	3,223,378

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



Notes to Financial Statements

7. LOANS AND ADVANCES (Continued)

(a) Advances to customers and other accounts (Continued)

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	
	2003 HK\$'000	2002 HK\$'000
Repayable:		
On demand	42,101	51,352
Three months or less	565,955	680,971
One year or less but over three months	1,099,647	1,249,638
Five years or less but over one year	691,399	649,102
After five years	551,868	631,789
Undated	182,491	203,376
	3,133,461	3,466,228

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

	Group			
	2003		2002	
	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 on which interest has ceased to be accrued:				
Overdue for:				
Six months or less but over three months	73,265	2.3	96,980	2.8
One year or less but over six months	32,587	1.0	43,241	1.2
Over one year	51,902	1.7	56,133	1.6
	157,754	5.0	196,354	5.6
Overdue for three months or less	31,322	1.0	39,765	1.2
	189,076	6.0	236,119	6.8
Rescheduled and overdue for:				
Six months or less but over three months	2,461	0.1	-	-
One year or less but over six months	68,103	2.2	-	-
	70,564	2.3	-	-
Total non-performing loans and advances	259,640	8.3	236,119	6.8
Specific provisions	(116,273)		(123,151)	
	143,367		112,968	

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



Notes to Financial Statements

7. LOANS AND ADVANCES (Continued)

(c) Interest-accrual rescheduled loans

	2003		Group		2002	
	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 rescheduled	2,246	0.1	62,968	1.8		

(d) Repossessed assets

The amount of repossessed assets was less than 1% of total gross loans and advances and immaterial to the Group, and was not separately disclosed accordingly.

8. PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	Specific HK\$'000	Group General HK\$'000	Total HK\$'000
At 1 January 2002	128,687	205,622	334,309
Recoveries	12,091	–	12,091
Charge for the year	486,655	2,649	489,304
Amounts released	(12,091)	–	(12,091)
<i>Net charge to the profit and loss account</i>	474,564	2,649	477,213
Amounts written off	(492,191)	–	(492,191)
At 31 December 2002 and 1 January 2003	123,151	208,271	331,422
Recoveries	17,905	–	17,905
Charge for the year	449,568	(16,490)	433,078
Amounts released	(17,905)	–	(17,905)
<i>Net charge to the profit and loss account</i>	431,663	(16,490)	415,173
Amounts written off	(456,446)	–	(456,446)
At 31 December 2003	116,273	191,781	308,054



Notes to Financial Statements

9. DIRECTORS' REMUNERATION

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Fees:		
Executive	105	175
Non-executive	298	385
Independent non-executive	210	280
	613	840
Other emoluments:		
Basic salaries, housing, other allowances and benefits in kind	1,648	1,647
Bonuses paid and payable	545	631
Pension scheme contributions	182	182
	2,988	3,300

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\$540,000 (2002: HK\$540,000).

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

	2003 Number of directors	2002 Number of directors
Nil – HK\$1,000,000	5	5
HK\$1,000,001 – HK\$1,500,000	2	2
	7	7



Notes to Financial Statements

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included two (2002: two) directors, details of whose remuneration are set out in note 9 above. The details of the remuneration of remaining three (2002: three) non-directors, highest paid individuals for the year are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Basic salaries, housing, other allowances and benefits in kind	2,261	1,799
Bonuses paid and payable	344	503
Pension scheme contributions	142	206
	2,747	2,508

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

	2003 Number of individuals	2002 Number of individuals
Nil – HK\$1,000,000	2	2
HK\$1,000,001 – HK\$1,500,000	1	1
	3	3

11. TAX

	Group	
	2003 HK\$'000	2002 HK\$'000
Hong Kong:		
Current tax charge	20,694	16,123
Over provisions in prior years	–	(5,820)
Impairment of loss arising from investment in partnership	14,144	14,194
Deferred tax (income)/charge (note 30)	(7,378)	3,941
	27,460	28,438

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16.0%) on the estimated assessable profits arising in Hong Kong during the year. The increase in Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 December 2003.

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 (2002: Nil).



Notes to Financial Statements

11. TAX (Continued)

A reconciliation of the tax expense applicable to accounting profit before tax using the statutory rates for the countries in which the Company and its subsidiaries and associates are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	Group			
	2003 HK\$'000	%	2002 HK\$'000	%
Hong Kong:				
Accounting profit before tax	259,463		265,259	
Tax at the applicable tax rate	45,406	17.5	42,441	16.0
Estimated tax effect of net (income)/expense that is not (taxable)/deductible in determining taxable profit	(10,009)	(3.9)	6,078	2.3
Estimated tax losses utilised from previous periods	(4,566)	(1.7)	(9,920)	(3.7)
Estimated tax losses not recognised	457	0.2	665	0.2
Adjustments in respect of current tax of previous periods	-	-	(5,820)	(2.2)
Attributable share of estimated profits tax losses arising from investment in partnership, net of impairment of HK\$14,144,000 (2002: HK\$14,194,000)	(5,106)	(2.0)	(5,006)	(1.9)
Increase in opening deferred taxes resulting from increase in tax rate (note 30)	1,278	0.5	-	-
Tax charge at the Group's effective rate	27,460	10.6	28,438	10.7

12. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2003 dealt with in the financial statements of the Company was HK\$199,823,000 (2002: HK\$247,930,000).

13. DIVIDENDS

	2003	2002	2003	2002
	Cents per ordinary share		HK\$'000	HK\$'000
Interim:				
First	4.0	4.5	28,308	32,005
Second	20.0	-	141,552	-
Proposed final	-	13.5	-	95,547
	24.0	18.0	169,860	127,552



Notes to Financial Statements

14. 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\$232,133,000 (2002: HK\$237,338,000) and the weighted average number of 707,758,412 (2002: 707,661,541) ordinary shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share for the year ended 31 December 2003 has not been disclosed as no diluting events existed during the year.

The calculation of diluted earnings per share for the year ended 31 December 2002 has not been shown as the CPS 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 nil dilutive effect on basic earnings per share.

15. CASH AND SHORT TERM PLACEMENTS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Cash and balances with banks and other financial institutions	56,132	76,608	697	177
Money at call and short notice	1,197,089	1,368,004	1,045,233	648,275
	1,253,221	1,444,612	1,045,930	648,452

The Group's money at call and short notice includes fixed deposits placed with the ultimate holding company of HK\$858,606,000 (2002: HK\$161,587,000).

Certain of the Company's money at call and short notice, amounting to HK\$38,000,000 (2002: Nil), was deposited with JCG Finance.

16. PLACEMENTS WITH BANKS AND FINANCIAL INSTITUTIONS MATURING BETWEEN ONE AND TWELVE MONTHS

The Group's placements with banks, amounting to HK\$5,000,000 (2002: HK\$5,000,000), were 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 year (2002: Nil).

The Group's placements with banks, amounting to HK\$151,899,000 (2002: HK\$123,368,000), were placed with the ultimate holding company.

Certain of the Company's placements with financial institutions, amounting to HK\$261,853,000 (2002: HK\$479,706,000), were placed with JCG Finance.



Notes to Financial Statements

17. OTHER ASSETS

	Notes	Group		Company	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
			(Restated)		
Inventories	18	31,816	37,674	-	-
Interest receivable from banks		130	719	433	1,432
Tax recoverable		9,533	15,827	-	-
Other debtors, deposits and prepayments		141,047	130,388	156	145
Deferred expenditure		2,761	5,984	-	-
Intangible asset	23	152	177	-	-
Deferred tax assets	30	33,975	33,323	-	-
		219,414	224,092	589	1,577

Other assets are shown net of provisions.

Included in other debtors, deposits and prepayments were HK\$78,416,000 (2002: HK\$89,147,000), which were secured by taxi licences, cash and a property. Full provision has been made for the unsecured portion.

Included in other debtors, deposits and prepayments was an investment in a partnership, net of impairment, of HK\$24,685,000 (2002: HK\$28,051,000).

As the trade receivables were immaterial to the Group, the maturity profile thereof has not been disclosed.

Included in interest receivable from banks was HK\$117,000 (2002: HK\$223,000) for deposits placed with the ultimate holding company.

18. INVENTORIES

Included in the inventories were taxi licences and taxi cabs amounting to HK\$31,816,000 (2002: HK\$37,674,000).

None of the inventories of the Group were carried at net realisable value as at the balance sheet date (2002: Nil).

19. LONG TERM INVESTMENT

	Group	
	2003 HK\$'000	2002 HK\$'000
At beginning of year	7,889	9,540
Movement in market value	5,676	(1,651)
Listed equity investment in Hong Kong, at market value	13,565	7,889

Long term investment represented 805,000 ordinary shares of HK\$1.00 each in Hong Kong Exchanges and Clearing Limited.



Notes to Financial Statements

20. INVESTMENT PROPERTIES

	Group	
	2003 HK\$'000	2002 HK\$'000
Balance at beginning of year	60,080	73,602
Transfer to land and buildings	(1,960)	(9,500)
Revaluation deficit	(690)	(4,022)
Balance at end of year	57,430	60,080

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

	Group 2003 HK\$'000
At valuation:	
Medium term leases	34,430
Long term leases	23,000
	57,430

Investment properties with a carrying amount of HK\$58,120,000 were revalued on 31 December 2003 at HK\$57,430,000 by Chung Sen Surveyors Limited, an independent professionally qualified valuer, on an open market value based on their existing use. A revaluation deficit of HK\$690,000 on a portfolio basis, resulting from the above valuation, has been debited 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.

Certain of the above investment properties were pledged to secure banking facilities granted to the Group at the balance sheet date (note 39).

21. INTERESTS IN SUBSIDIARIES

	Company	
	2003 HK\$'000	2002 HK\$'000
Shares at cost:		
Listed:		
Hong Kong	-	584,366
Unlisted:	1,353,811	1,056,851
	1,353,811	1,641,217
Market value of listed shares	-	210,388



Notes to Financial Statements

21. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the Company's subsidiaries are as follows:

Name	Nominal value of issued/registered 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 and finance
Funds Fit Limited	10,100,000	–	100	Investment holding
JCG Securities Limited	10,000,000	–	100	Stock and share broking
JCG Nominees Limited	10,000	–	100	Nominee services
Winton Holdings (Bermuda) Limited	33,394,993	100	–	Investment holding
Eternal Success Company Limited	20	–	100	Property holding
Winsure Company, Limited	1,600,000	–	96.9	Dormant
Winton (B.V.I.) Limited	61,773	–	100	Investment and property holding
Winton Financial Limited	4,000,010	–	100	Provision of financing for licensed public vehicles and provision of personal and short term loans
Winton Financial (Factoring) Limited	1,000,000	–	100	Provision of financing for licensed public vehicles
Winton Investment Company (China) Limited	1,000,000	–	100	Investment holding, trading of taxi cabs and taxi licences, and leasing of taxis
Winton Motors, Limited	78,000	–	100	Trading of taxi cabs and taxi licences, and leasing of taxis
Winton Motors Trading Company Limited	2	–	100	Dormant
Winton Trading Company Limited	20	–	100	Trading of taxi cabs and taxi licences, and leasing of taxis

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



Notes to Financial Statements

22. INTEREST IN AN ASSOCIATE

	Group	
	2003 HK\$'000	2002 HK\$'000
Share of net assets, other than goodwill	-	-

Particulars of the Group's associate are as follows:

Name	Business structure	Place of registration and operations	Percentage of equity attributable to the Group		Principal activities
			2003	2002	
ZKW Enterprise (Group) Co., Ltd., Zhuhai Special Economic Zone	Corporate	The People's Republic of China	40.0	28.3	Investment holding, general trading and automobile repairs centre

23. INTANGIBLE ASSETS

	Group	
	2003 HK\$'000	2002 HK\$'000
Cost:		
At beginning and end of year	252	252
Accumulated amortisation:		
At beginning of year	75	50
Provided during the year	25	25
Balance at end of year	100	75
Net book value at end of year	152	177



Notes to Financial Statements

24. NEGATIVE GOODWILL

The amount of negative goodwill recognised in the consolidated balance sheet, arising from the acquisition of interests in subsidiaries, is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Carrying amount:		
At beginning of year	–	–
Increase in interest in a subsidiary	92,163	–
Balance at end of year	92,163	–
Accumulated amortisation:		
At beginning of year	–	–
Provided during the year	18,433	–
Balance at end of year	18,433	–
Net book value at end of year	73,730	–

25. FIXED ASSETS

	Group				Company
	Leasehold land and buildings HK\$'000	Leasehold improvements, furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000	Leasehold land and buildings HK\$'000
Cost or carrying amount:					
At 1 January 2003	321,290	75,137	2,746	399,173	–
Additions	32,715	1,725	–	34,440	32,715
Transfer from investment properties	1,960	–	–	1,960	–
Disposals	–	(928)	–	(928)	–
At 31 December 2003	355,965	75,934	2,746	434,645	32,715
Accumulated depreciation:					
At 1 January 2003	32,422	68,079	2,157	102,658	–
Provided during the year	5,067	4,307	295	9,669	61
Disposals	–	(814)	–	(814)	–
At 31 December 2003	37,489	71,572	2,452	111,513	61
Net book value:					
At 31 December 2003	318,476	4,362	294	323,132	32,654
At 31 December 2002	288,868	7,058	589	296,515	–



Notes to Financial Statements

25. FIXED ASSETS (Continued)

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

	Group 2003 HK\$'000	Company 2003 HK\$'000
At cost:		
Medium term leases	109,525	–
Long term leases	246,440	32,715
	355,965	32,715

Certain of the above leasehold land and buildings were pledged to secure banking facilities granted to the Group (note 39).

26. LOANS TO DIRECTORS AND OFFICERS

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Aggregate amount of principal and interest outstanding at the end of year	2,109	2,317
Maximum aggregate amount of principal and interest outstanding during the year	2,317	3,556

27. CUSTOMER DEPOSITS

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Repayable:		
On demand	4,026	6,420
Three months or less	997,420	1,340,982
One year or less but over three months	300,468	330,239
Five years or less but over one year	7,430	96,695
	1,309,344	1,774,336

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



Notes to Financial Statements

28. OTHER LIABILITIES

	Notes	Group		Company	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
			(Restated)		
Creditors, accruals and interest payable		77,687	66,854	771	438
Amount due to the ultimate holding company		338	38	-	-
Declared second interim dividend	13	141,552	-	141,552	-
Tax payable		-	-	-	169
Provision for long service payments	29	4,385	4,611	-	-
Deferred tax liabilities	30	15,503	22,229	-	-
		239,465	93,732	142,323	607

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

29. PROVISION FOR LONG SERVICE PAYMENTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Balance at beginning of year	4,611	4,575
Movement during the year	(226)	36
Balance at end of year	4,385	4,611

The Group provides for the probable future long service payments expected to be made to employees under the Employment Ordinance of Hong Kong, as further explained under the heading "Employment Ordinance long service payments" in note 3.



Notes to Financial Statements

30. DEFERRED TAX

The movement in deferred tax assets and liabilities during the year is as follows:

Group

Deferred tax assets:

	At 1 January 2003 HK\$'000	Prior year adjustment HK\$'000	At 1 January 2003 HK\$'000	Deferred tax (charged)/credited to the profit and loss account (Note) HK\$'000	At 31 December 2003 HK\$'000
	(As previously reported)		(Restated)		
General provision for bad and doubtful debts	-	33,323	33,323	(1,598)	31,725
Losses available for offset against future taxable profit	-	-	-	2,250	2,250
	-	33,323	33,323	652	33,975

Deferred tax liabilities:

	At 1 January 2003 HK\$'000	Prior year adjustment HK\$'000	At 1 January 2003 HK\$'000	Deferred tax charged/(credited) to the profit and loss account (Note) HK\$'000	At 31 December 2003 HK\$'000
	(As previously reported)		(Restated)		
Interest receivable that will be taxable only when received	9,630	-	9,630	(3,230)	6,400
Accelerated tax depreciation and revaluation of investment properties	-	6,060	6,060	940	7,000
Prepaid expense deducted from taxable profits in earlier years and others	3,200	2,538	5,738	(5,405)	333
Tax benefit arising from investment in partnership	801	-	801	969	1,770
	13,631	8,598	22,229	(6,726)	15,503



Notes to Financial Statements

30. DEFERRED TAX (Continued)

Group

Deferred tax assets:

	At 1 January 2002 HK\$'000	Prior year adjustment HK\$'000	At 1 January 2002 HK\$'000	Deferred tax (charged)/credited to the profit and loss account (Note) HK\$'000	At 31 December 2002 HK\$'000
	(As previously reported)		(Restated)		(Restated)
General provision for bad and doubtful debts	-	32,900	32,900	423	33,323

Deferred tax liabilities:

	At 1 January 2002 HK\$'000	Prior year adjustment HK\$'000	At 1 January 2002 HK\$'000	Deferred tax charged/(credited) to the profit and loss account (Note) HK\$'000	At 31 December 2002 HK\$'000
	(As previously reported)		(Restated)		(Restated)
Interest receivable that will be taxable only when received	9,690	-	9,690	(60)	9,630
Accelerated tax depreciation and revaluation of investment properties	-	5,543	5,543	517	6,060
Prepaid expense deducted from taxable profits in earlier years and others	-	2,632	2,632	3,106	5,738
Tax benefit arising from investment in partnership	-	-	-	801	801
	9,690	8,175	17,865	4,364	22,229

Note: Including a charge of HK\$1,278,000 (2002: Nil) due to an increase in opening deferred tax resulting from an increase in tax rate (note 11).

The Group has tax losses arising in Hong Kong of HK\$14,752,000 (2002: HK\$38,053,000) that are available indefinitely for offsetting against future taxable profits of the companies in which losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

There are no significant income tax consequences attaching to the payment of dividends by the Company to its shareholders.

SSAP 12 (revised) was adopted during the year, as further explained in note 2. This change in accounting policy has resulted in an increase in the Group's net deferred tax asset as at 31 December 2003 and 2002 by HK\$24,725,000. As a consequence, the consolidated retained profits as at 1 January 2003 and 2002 have been increased by HK\$24,725,000, as detailed in the consolidated summary statement of changes in equity and note 33.



Notes to Financial Statements

31. SHARE CAPITAL

	2003 HK\$'000	2002 HK\$'000
Ordinary shares		
Authorised: 1,000,000,000 (2002: 1,000,000,000) ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid: 707,758,412 (2002: 707,758,412) ordinary shares of HK\$0.10 each	70,776	70,776

32. SHARE OPTION SCHEMES

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 to 17.09 of Chapter 17 of the Listing Rules and SSAP 34 are as follows:

(a) Share option scheme of the Company ("JCG Scheme")

Since the adoption of the JCG Scheme on 28 February 2002, no options to subscribe for 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 associate.

(b) Share option scheme of Winton ("Winton Scheme")

Since the adoption of the Winton 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 associate. The Winton Scheme was terminated by the board of directors of Winton on 24 November 2003.

(c) Summary of JCG Scheme

- Purpose : To attract, retain and motivate talented eligible participants.
- Participants : Eligible participants include:
- (i) any employee and director of the Company or any subsidiary or any associate or controlling shareholder;
 - (ii) any discretionary trust whose discretionary objects include person(s) belonging to the aforesaid participants;
 - (iii) a company beneficially owned by person(s) belonging to the aforesaid participants; and
 - (iv) any business partner, agent, consultant, representative, customer or supplier of any member of the Group or controlling shareholder determined by the Board of Directors as having contributed or may contribute to the development and growth of the Group.
- Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of this annual report : 70,775,841 ordinary shares and 10% of the issued share capital.



Notes to Financial Statements

32. SHARE OPTION SCHEMES (Continued)

(c) Summary of JCG Scheme (Continued)

Maximum entitlement of each participant	:	Shall not exceed 1% of the ordinary shares of the Company in issue in the 12-month period up to and including the date of grant.
Period within which the ordinary shares must be taken up under an option	:	No option will be exercisable earlier than 2 years or later than 5 years after the commencement date on which the option was granted and accepted.
Minimum period for which an option must be held before it can be exercised	:	50% must be held for a minimum period of 2 years and 50% must be held for a minimum period of 3 years after the commencement date on which the option was granted and accepted.
Amount payable on acceptance	:	HK\$1.00
Basis of determining the exercise price	:	Determined by the directors at their discretion based on the higher of: (i) the closing price of the ordinary shares on the Stock Exchange at the offer date; (ii) the average closing price of the ordinary shares on the Stock Exchange for 5 business days immediately preceding the offer date; and (iii) the nominal value of an ordinary share.
The remaining life of the scheme	:	The scheme remains in force until 27 February 2012.

Since there were no share options granted under each of the share option schemes of the Group during the year, therefore, no value of share options granted has been disclosed accordingly.



Notes to Financial Statements

33. RESERVES

Group	Share	Capital	Contributed	Capital	Translation	Long term	Retained	Total
	premium	redemption				investment		
	account	reserve	surplus	reserve	reserve	reserve	profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
							(Restated)	(Restated)
At 1 January 2002								
As previously reported	1,206,400	829	96,116	85,567	428	9,277	1,630,884	3,029,501
Prior year adjustment (note 30)	-	-	-	-	-	-	24,725	24,725
As restated	1,206,400	829	96,116	85,567	428	9,277	1,655,609	3,054,226
Premium arising on share options exercised	3,193	-	-	-	-	-	-	3,193
Movement in the market value (note 19)	-	-	-	-	-	(1,651)	-	(1,651)
Loss on diluted shareholding of a subsidiary, net of gain on redemption of minority interests	-	-	-	(30,534)	-	-	-	(30,534)
Interim dividend for 2002 (note 13)	-	-	-	-	-	-	(32,005)	(32,005)
Profit for the year	-	-	-	-	-	-	237,338	237,338
Proposed final dividend for 2002 (note 13)	-	-	-	-	-	-	(95,547)	(95,547)
At 31 December 2002 and 1 January 2003 (Restated)								
	1,209,593	829	96,116	55,033	428	7,626	1,765,395	3,135,020
At 31 December 2002 and 1 January 2003								
As previously reported	1,209,593	829	96,116	55,033	428	7,626	1,740,670	3,110,295
Prior year adjustment (note 30)	-	-	-	-	-	-	24,725	24,725
As restated	1,209,593	829	96,116	55,033	428	7,626	1,765,395	3,135,020
Movement in the market value (note 19)	-	-	-	-	-	5,676	-	5,676
Gain on redemption of minority interests, net of loss on diluted shareholding of a subsidiary	-	-	-	30,536	-	-	-	30,536
Interim dividend for 2003 (note 13)	-	-	-	-	-	-	(169,860)	(169,860)
Profit for the year	-	-	-	-	-	-	232,133	232,133
At 31 December 2003								
	1,209,593	829	96,116	85,569	428	13,302	1,827,668	3,233,505
Reserves retained by:								
Company and subsidiaries	1,209,593	829	96,116	85,569	-	13,302	1,827,668	3,233,077
Associates	-	-	-	-	428	-	-	428
At 31 December 2003								
	1,209,593	829	96,116	85,569	428	13,302	1,827,668	3,233,505
Company and subsidiaries								
As previously reported	1,209,593	829	96,116	55,033	-	7,626	1,740,670	3,109,867
Prior year adjustment (note 30)	-	-	-	-	-	-	24,725	24,725
As restated	1,209,593	829	96,116	55,033	-	7,626	1,765,395	3,134,592
Associates	-	-	-	-	428	-	-	428
At 31 December 2002								
	1,209,593	829	96,116	55,033	428	7,626	1,765,395	3,135,020



Notes to Financial Statements

33. RESERVES (Continued)

Company	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
At 1 January 2002	1,206,400	829	194,524	-	-	-	1,078,698	2,480,451
Premium arising on share options exercised	3,193	-	-	-	-	-	-	3,193
Interim dividend for 2002 (note 13)	-	-	-	-	-	-	(32,005)	(32,005)
Profit for the year	-	-	-	-	-	-	247,930	247,930
Proposed final dividend for 2002 (note 13)	-	-	-	-	-	-	(95,547)	(95,547)
At 31 December 2002 and 1 January 2003	1,209,593	829	194,524	-	-	-	1,199,076	2,604,022
Expenses for redemption of shares of a subsidiary	-	-	(348)	-	-	-	-	(348)
Interim dividend for 2003 (note 13)	-	-	-	-	-	-	(169,860)	(169,860)
Profit for the year	-	-	-	-	-	-	199,823	199,823
At 31 December 2003	1,209,593	829	194,176	-	-	-	1,229,039	2,633,637

The contributed surplus of the Group represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group's 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's 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 of the Group as at 31 December 2003 were positive goodwill of HK\$98,406,000 (2002: HK\$98,406,000), which arose from acquisition of subsidiaries in prior years and negative goodwill of HK\$85,569,000 (2002: HK\$55,033,000), which arose from initial acquisition of Winton in prior years respectively. Negative goodwill which arose from completion of the privatisation of Winton in current year was accounted for in the balance sheet in accordance with SSAP 30. The increase in the capital reserve during the year arose from the reversal of the prior year's net loss arising from the temporary dilution of Group's shareholding in Winton following the completion of the privatisation of Winton in current year.

The listing status of Winton's ordinary shares was withdrawn from the Stock Exchange on 27 March 2003. Following the redemption of minority interests of Winton, the net loss arising from the temporary dilution of the Group's shareholding in Winton in the prior year together with any gains arising on completion of the privatisation of Winton in March 2003 are accounted for as negative goodwill in the year of 2003.



Notes to Financial Statements

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before tax to net cash flows from operating activities is set out below:

	Group	
	2003 HK\$'000	2002 HK\$'000
Profit before tax	259,463	265,259
Depreciation	9,669	9,859
Loss on disposal of fixed assets	114	137
Loss on purchase of additional interest in a subsidiary	–	462
Decrease in provisions for bad and doubtful debts	(23,368)	(2,887)
Dividends from listed investments	(491)	(266)
Amortisation of negative goodwill	(18,433)	–
Amortisation of intangible asset	25	25
Amortisation and write off of commission expenses	3,444	3,287
Gain on disposal of an associate	–	(3,557)
Deficit on revaluation of investment properties	690	4,022
Increase in other debtors, deposits, prepayments and interest receivable from banks	(24,214)	(1,178)
Increase /(decrease) in creditors, accruals and interest payable	10,833	(22,785)
(Decrease)/increase in provision for long service payments	(226)	36
Increase/(decrease) in amount due to the ultimate holding company	300	(6)
Decrease/(increase) in inventories	5,858	(19,374)
Increase in deferred expenditure	(221)	(9,014)
Decrease in interest-bearing bank borrowings	–	(200,000)
Hong Kong profits tax paid	(14,400)	(46,156)
Net cash from/(used in) trading activities	209,043	(22,136)
(Decrease)/increase in customer deposits	(464,992)	740,790
Decrease in loans and advances	363,589	240,067
Net cash flows from operating activities	107,640	958,721



Notes to Financial Statements

35. OPERATING LEASE ARRANGEMENTS

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

As at 31 December 2003, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	5,755	4,431
In the second to fifth years, inclusive	4,406	2,907
	10,161	7,338

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

As at 31 December 2003, the Group had total future minimum lease rental payables under non-cancellable operating leases falling due as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	15,564	16,493
In the second to fifth years, inclusive	9,263	10,214
	24,827	26,707

36. COMMITMENTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Capital commitments:		
Contracted for, but not provided in the financial statements	28	125

The Company had no material outstanding commitments at the balance sheet date (2002: Nil).



Notes to Financial Statements

37. UNDRAWN LOAN FACILITIES

	Group			
	2003	Risk weighted amount	2002	Risk weighted amount
	Contractual amount HK\$'000	HK\$'000	Contractual amount HK\$'000	HK\$'000
Undrawn loan facilities with an original maturity of under one year or which are unconditionally cancellable, granted by JCG Finance to customers (excluding a subsidiary)	6,444	-	9,112	-

38. CONTINGENT LIABILITIES

	Group		Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees under the co-financing arrangements given to the ultimate holding company	-	770	-	-

During the year, no derivative activities were transacted (2002: Nil).

39. ASSETS PLEDGED AS SECURITY

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

- (i) A placement with a bank amounting to HK\$5,000,000 (2002: HK\$5,000,000) (note 16);
- (ii) A first legal charge on certain leasehold land and buildings of the Group with an aggregate carrying amount of approximately HK\$44,292,000 (2002: HK\$45,618,000) (note 25); and
- (iii) A first legal charge on certain investment properties of the Group situated in Hong Kong with an aggregate carrying amount of HK\$23,000,000 (2002: HK\$23,000,000) (note 20).

The Group's banking facilities had not been utilised during the year.



Notes to Financial Statements

40. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with related parties during the year, which were carried out on essentially the same terms and/or at prevailing market rates with other customers or suppliers:

	Notes	Group	
		2003 HK\$'000	2002 HK\$'000
Commission income from the ultimate holding company for referrals of taxi financing loans	(a)	9,975	9,596
Interest paid to a fellow subsidiary for unsecured revolving credit facilities	(b)	–	1,084
Interest income from a fellow subsidiary	(b)	–	1,435
Interest income from the ultimate holding company	(c)	8,978	3,138
Rental income from the ultimate holding company	(d)	807	762
Management fees from the ultimate holding company	(e)	206	198

Notes:

(a) The commission income of HK\$9,975,000 (2002: HK\$9,596,000) received from referrals of floating rate taxi financing loans to Public Bank was determined based on market practice.

(b) In the prior year, Public Bank (L) Ltd granted unsecured revolving credit facilities to the Group for an aggregate amount of HK\$800,000,000. The Group did not request for the facility to be renewed upon its expiry. The facility was utilised to the extent of HK\$200,000,000 during prior year and were fully repaid before the maturity dates.

In the prior year, the Group's placements with banks, amounting to HK\$300,000,000, were placed with a fellow subsidiary of the Company and were withdrawn before 31 December 2002.

(c) The interest income was received from fixed deposits placed with Public Bank at the then prevailing market rates.

(d) 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 two years commencing on 1 August 2002 at a monthly rental of HK\$19,000;

(ii) Public Bank as its office. The related lease arrangement was renewed on 1 August 2002 for a term of two years at a monthly rental of HK\$35,775; and

(iii) Public Bank, Hong Kong Branch as its branch office for a term of three years commencing on 1 November 2003 at a monthly rental of HK\$150,000.

(e) 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.

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



Notes to Financial Statements

41. COMPARATIVE FIGURES

As further explained in note 2, due to the adoption of revised SSAP during the current year, the accounting treatment and presentation of certain items on the financial statements and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative figures have been restated after prior year adjustments. Also, certain comparative figures have been reclassified to conform with the current year's presentation.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 14 January 2004.