

## INTERIM RESULTS

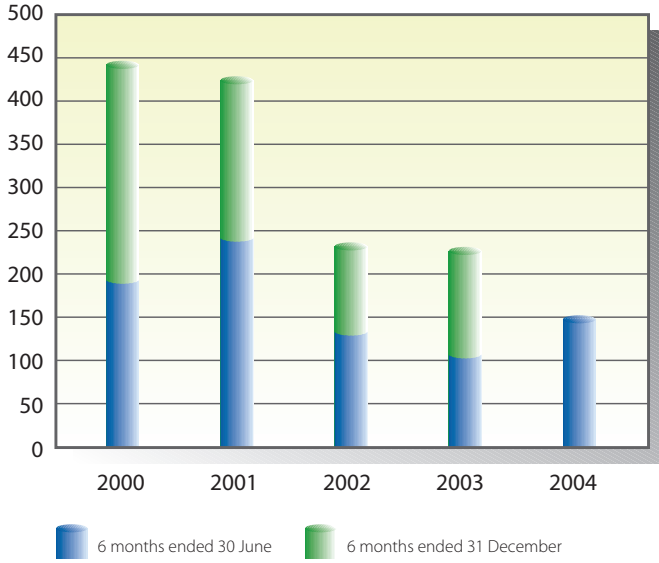
The Board of Directors of JCG Holdings Limited (the "Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2004 with comparative figures are as follows:

### Condensed Consolidated Profit and Loss Account

		For the six months ended	
		30 June	
		2004	2003
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Notes		
Interest income		349,131	373,528
Interest expense		(5,935)	(20,563)
<b>NET INTEREST INCOME</b>		<b>343,196</b>	<b>352,965</b>
Other operating income	2	98,723	81,524
<b>OPERATING INCOME</b>		<b>441,919</b>	<b>434,489</b>
Operating expenses	3	(100,103)	(90,775)
<b>OPERATING PROFIT BEFORE PROVISIONS</b>		<b>341,816</b>	<b>343,714</b>
Provisions for bad and doubtful debts	4	(155,014)	(223,792)
<b>PROFIT BEFORE TAX</b>		<b>186,802</b>	<b>119,922</b>
Tax	5	(36,170)	(18,295)
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>150,632</b>	<b>101,627</b>
Minority interests		–	129
<b>NET PROFIT FROM ORDINARY ACTIVITIES</b>		<b>150,632</b>	<b>101,756</b>
<b>ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>150,632</b>	<b>101,756</b>
<b>DIVIDENDS</b>	6	<b>1,273,965</b>	<b>28,310</b>
<b>EARNINGS PER SHARE (HK\$)</b>	7		
Basic		0.213	0.144
Diluted		N/A	N/A

## Net Profit

HK\$ Million



## Condensed Consolidated Balance Sheet

		<b>30 June 2004 (Unaudited) HK\$'000</b>	31 December 2003 (Audited) HK\$'000
	<i>Notes</i>		
<b>ASSETS</b>			
Cash and short term placements	8	<b>841,903</b>	1,253,221
Placements with banks and financial institutions maturing between one and three months	9	<b>157,467</b>	176,901
Loans and advances	10	<b>3,030,006</b>	2,883,157
Other assets	11	<b>179,910</b>	219,414
Long term listed equity investment		<b>12,880</b>	13,565
Investment properties		<b>57,430</b>	57,430
Interest in an associate		–	–
Negative goodwill		<b>(64,514)</b>	(73,730)
Fixed assets		<b>319,450</b>	323,132
<b>TOTAL ASSETS</b>		<b>4,534,532</b>	4,853,090
<b>LIABILITIES</b>			
Customer deposits	12	<b>982,465</b>	1,309,344
Declared dividend		<b>1,273,965</b>	141,552
Other liabilities	13	<b>97,839</b>	97,913
<b>TOTAL LIABILITIES</b>		<b>2,354,269</b>	1,548,809
<b>CAPITAL RESOURCES</b>			
Share capital		<b>70,776</b>	70,776
Reserves	14	<b>2,109,487</b>	3,233,505
Shareholders' funds		<b>2,180,263</b>	3,304,281
<b>TOTAL LIABILITIES AND CAPITAL RESOURCES</b>		<b>4,534,532</b>	4,853,090

## Condensed Consolidated Summary Statement of Changes in Equity

	For the six months ended	
	30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000 (Restated)
<b>TOTAL EQUITY</b>		
Balance at beginning of period		
As previously reported	<b>3,304,281</b>	3,276,618
Prior year adjustment	–	24,725
As restated	<b>3,304,281</b>	3,301,343
(Deficit)/surplus on revaluation of long term listed equity investments	<b>(685)</b>	1,127
Gain on redemption of minority interests, net of loss on diluted shareholdings of a subsidiary	–	30,536
Net (losses)/gains not recognised in the condensed consolidated profit and loss account	<b>(685)</b>	31,663
Net profit from ordinary activities attributable to shareholders	<b>150,632</b>	101,756
Dividends declared/paid on shares	<b>(1,273,965)</b>	(95,547)
	<b>(1,123,333)</b>	6,209
Balance at end of period	<b>2,180,263</b>	3,339,215

## Condensed Consolidated Cash Flow Statement

For the six months ended  
30 June

	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
<b>NET CASH FLOWS FROM:</b>		
<b>OPERATING ACTIVITIES</b>	<b>(290,441)</b>	181,959
<b>INVESTING ACTIVITIES</b>	<b>1,241</b>	(92,935)
<b>FINANCING ACTIVITIES</b>	<b>(141,552)</b>	(95,547)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(430,752)</b>	(6,523)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>1,430,122</b>	1,572,980
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>999,370</b>	1,566,457
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and short term placements	<b>841,903</b>	1,404,649
Placements with banks and financial institutions maturing within three months	<b>157,467</b>	161,808
	<b>999,370</b>	1,566,457

## Notes to the Condensed Consolidated Financial Statements

### 1. Statement of compliance and accounting policies

The 2004 Interim Report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants, and the disclosure requirements of the "Interim Financial Disclosure by Locally Incorporated Authorised Institutions" under the Supervisory Policy Manual issued by the Hong Kong Monetary Authority ("HKMA").

The accounting policies and basis of preparation adopted in the 2004 Interim Report are consistent with those adopted in the Company's 2003 Annual Report.

### 2. Other operating income

	For the six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Fees and commission income	84,831	75,430
Gross rental income	3,332	2,644
Less: Outgoing expenses	(134)	(142)
Net rental income	3,198	2,502
Loss on disposal of fixed assets	(1)	(87)
Net (loss)/profit from trading activities	(232)	2,246
Dividends from a listed equity investment	1,691	346
Others	20	1,087
Operating income before amortisation of negative goodwill	89,507	81,524
Amortisation of negative goodwill	9,216	–
	<b>98,723</b>	81,524

Net (loss)/profit from trading activities was arrived at after netting off the cost of inventories sold in the amount of HK\$675,521,000 (2003: HK\$100,862,000).

### 3. Operating expenses

	For the six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Staff costs:		
Salaries and other staff costs	43,048	40,052
Pension contributions	3,226	3,208
Less: Forfeited contributions	(74)	(204)
Net pension contributions	3,152	3,004
	46,200	43,056
Other operating expenses:		
Operating lease rentals on land and buildings	10,035	10,433
Depreciation	4,131	5,008
Amortisation of intangible asset	13	13
Auditors' remuneration	721	828
Amortisation and write off of commission expenses	2,855	1,448
Write back for other doubtful debts	(30)	(1,892)
Administrative and general expenses	9,123	7,004
Others	27,055	24,877
	100,103	90,775

As at 30 June 2004, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2003: 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	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Specific charge	142,084	237,145
General charge/(written back)	33,928	(7,215)
	176,012	229,930
Loan recoveries	(20,998)	(6,138)
Net charge to the profit and loss account	155,014	223,792

## 5. Tax

	For the six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Hong Kong:		
Current tax charge	46,053	22,438
Under provisions in prior years	2,998	–
Deferred tax income	(12,881)	(4,143)
	<b>36,170</b>	<b>18,295</b>

No Hong Kong or overseas profits tax has been provided for associates as the associates did not generate any assessable profits in Hong Kong or elsewhere during the period (2003: Nil).

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:

	For the six months ended 30 June			
	2004 (Unaudited) HK\$'000		2003 (Unaudited) HK\$'000	
		%		%
Hong Kong:				
Accounting profit before tax	186,802		119,922	
Tax at the applicable tax rate	32,690	17.5	20,986	17.5
Estimated tax effect of net expense/(income) that is not deductible/(taxable) in determining taxable profit	255	0.1	(2,569)	(2.1)
Adjustments in respect of current tax of previous periods	2,998	1.7	–	–
Estimated tax losses utilised from previous periods	–	–	(1,400)	(1.2)
Estimated tax losses not recognised	227	0.1	–	–
Increase in opening deferred taxes resulting from increase in tax rate	–	–	1,278	1.1
Tax charge at the effective rate	<b>36,170</b>	<b>19.4</b>	<b>18,295</b>	<b>15.3</b>



## 6. Dividends

	For the six months ended 30 June			
	2004 HK\$ per ordinary share	2003	2004 HK\$'000	2003 HK\$'000
Interim dividend	0.05	0.04	35,388	28,310
Special dividend	1.75	–	1,238,577	–
	1.80	0.04	1,273,965	28,310

## 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\$150,632,000 (2003: HK\$101,756,000) and the weighted average number of 707,758,412 (2003: 707,758,412) ordinary shares in issue during the period.

### (b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2004 and 2003 have not been calculated as no diluting events existed during these periods.

## 8. Cash and short term placements

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Cash and balances with banks and other financial institutions	115,355	56,132
Money at call and short notice	726,548	1,197,089
	841,903	1,253,221

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

The Group's placements with banks, amounting to HK\$5,000,000 (2003: HK\$5,000,000), were pledged to a bank for credit facilities of HK\$5,000,000 (2003: HK\$5,000,000) granted to the Group. The credit facilities were not utilised during the period (2003: Nil).

## 10. Loans and advances

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

	<b>30 June 2004 (Unaudited) HK\$'000</b>	31 December 2003 (Audited) HK\$'000
Loans and advances to customers	<b>3,314,701</b>	3,133,461
Interest receivable	<b>48,156</b>	57,750
Provisions for bad and doubtful debts:		
Specific	<b>(107,142)</b>	(116,273)
General	<b>(225,709)</b>	(191,781)
	<b>(332,851)</b>	(308,054)
	<b>3,030,006</b>	2,883,157

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 2004 and 31 December 2003 is analysed by the remaining periods to their contractual maturity dates as follows:

	<b>30 June 2004 (Unaudited) HK\$'000</b>	31 December 2003 (Audited) HK\$'000
Repayable:		
On demand	<b>22,128</b>	42,101
Three months or less	<b>498,629</b>	565,955
One year or less but over three months	<b>1,072,547</b>	1,099,647
Five years or less but over one year	<b>936,486</b>	691,399
After five years	<b>554,007</b>	551,868
Undated	<b>230,904</b>	182,491
	<b>3,314,701</b>	3,133,461

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

	30 June 2004 (Unaudited)		31 December 2003 (Audited)	
	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	49,166	1.5	73,265	2.3
One year or less but over six months	27,281	0.8	32,587	1.0
Over one year	53,842	1.7	51,902	1.7
	130,289	4.0	157,754	5.0
Overdue for three months or less	23,964	0.7	31,322	1.0
	154,253	4.7	189,076	6.0
Rescheduled and overdue for:				
Six months or less but over three months	3,017	0.1	2,461	0.1
One year or less but over six months	7,764	0.2	68,103	2.2
Over one year	62,364	1.9	–	–
	73,145	2.2	70,564	2.3
Total non-performing loans and advances	227,398	6.9	259,640	8.3
Specific provisions	(107,142)		(116,273)	
	120,256		143,367	

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 2004 (Unaudited)		31 December 2003 (Audited)	
	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	2,420	0.1	2,246	0.1

(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.

## 11. Other assets

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Inventories	51,167	31,816
Interest receivable from banks	117	130
Tax recoverable	–	9,533
Other debtors, deposits and prepayments	86,536	141,047
Deferred expenditure	722	2,761
Intangible asset	139	152
Deferred tax assets	41,229	33,975
	<b>179,910</b>	219,414

Other assets are shown net of provisions.

Included in other debtors, deposits and prepayments were HK\$71,990,000 (2003: HK\$78,416,000), which were secured by taxi licences, cash and a property. Full provision has been made for the unsecured portion.

As at 31 December 2003, included in other debtors, deposits and prepayments was an investment in a partnership, net of impairment, of HK\$24,685,000.

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

## 12. Customer deposits

The Group's maturity profile of customer deposits as at 30 June 2004 and 31 December 2003 is analysed by the remaining periods to their contractual maturity dates as follows:

	<b>30 June 2004 (Unaudited) HK\$'000</b>	31 December 2003 (Audited) HK\$'000
Repayable:		
On demand	<b>3,833</b>	4,026
Three months or less	<b>791,844</b>	997,420
One year or less but over three months	<b>173,821</b>	300,468
Five years or less but over one year	<b>12,967</b>	7,430
	<b>982,465</b>	1,309,344

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

## 13. Other liabilities

	<b>30 June 2004 (Unaudited) HK\$'000</b>	31 December 2003 (Audited) HK\$'000
Creditors, accruals and interest payable	<b>46,200</b>	78,025
Tax payable	<b>37,493</b>	–
Provision for long service payments	<b>4,270</b>	4,385
Deferred tax liabilities	<b>9,876</b>	15,503
	<b>97,839</b>	97,913

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

## 14. Reserves

	<b>30 June 2004 (Unaudited) HK\$'000</b>	31 December 2003 (Audited) HK\$'000
Share premium account	<b>1,209,593</b>	1,209,593
Capital redemption reserve	<b>829</b>	829
Contributed surplus	<b>96,116</b>	96,116
Capital reserve	<b>85,569</b>	85,569
Translation reserve	<b>428</b>	428
Long term listed equity investment revaluation reserve	<b>12,617</b>	13,302
Retained profits	<b>704,335</b>	1,827,668
	<b>2,109,487</b>	3,233,505

## 15. Operating lease arrangements

As at 30 June 2004, the Group had total future minimum lease rental payables under non-cancellable operating leases falling due as follows:

	<b>30 June 2004 (Unaudited) HK\$'000</b>	31 December 2003 (Audited) HK\$'000
Within one year	<b>18,672</b>	15,564
In the second to fifth years, inclusive	<b>9,970</b>	9,263
	<b>28,642</b>	24,827

## 16. Commitments & contingent liabilities

### (a) Commitments

	<b>30 June 2004</b>		31 December 2003	
	<b>Contractual amount (Unaudited) HK\$'000</b>	<b>Risk weighted amount (Unaudited) HK\$'000</b>	Contractual amount (Audited) HK\$'000	Risk weighted amount (Audited) HK\$'000
Capital commitments contracted for, but not provided in the financial statements	<b>168</b>	<b>168</b>	28	28
Undrawn loan facilities with an original maturity of under one year or which are unconditionally cancellable	<b>4,669</b>	–	6,444	–
	<b>4,837</b>	<b>168</b>	6,472	28

During the six months ended 30 June 2004 and the year ended 31 December 2003, no derivative activities were transacted.

### (b) Contingent liabilities

As at 30 June 2004 and 31 December 2003, there were no material contingent liabilities.

## 17. Related party transactions

During the period, the Group had the following major 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	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Commission income from the ultimate holding company for referrals of taxi financing loans	5,237	2,751
Interest income from the ultimate holding company	3,589	3,301
Rental income from the ultimate holding company	1,229	329
Management fees from the ultimate holding company	396	86

## 18. Comparative figures

Due to the adoption of the revised SSAP 12 for accounting treatment of income taxes during the previous year, certain comparative figures have been restated after prior year adjustments. Also, certain comparative figures have been reclassified to conform with the current period's presentation.

## SUPPLEMENTARY INFORMATION (UNAUDITED)

### Segmental Information

(a) By business segments

	For the six months ended 30 June 2004		30 June 2004
	Operating income HK\$'000	Profit before tax HK\$'000	Total assets HK\$'000
Personal and commercial lending	425,966	172,679	4,412,968
Taxi trading and related operations, and other businesses	13,195	4,920	144,710
Inter-segment transactions	(6,458)	–	–
	<b>432,703</b>	<b>177,599</b>	<b>4,557,678</b>
Amortisation of negative goodwill	9,216	9,216	–
Amortisation of intangible asset	–	(13)	–
Negative goodwill and intangible asset	–	–	(64,375)
Deferred tax assets	–	–	41,229
	<b>441,919</b>	<b>186,802</b>	<b>4,534,532</b>
	For the six months ended 30 June 2003	Profit before tax	30 June 2003
	Operating income HK\$'000	Profit before tax HK\$'000	Total assets HK\$'000
			(Restated)
Personal and commercial lending	430,061	119,585	4,969,243
Taxi trading and related operations, and other businesses	7,807	350	155,817
Inter-segment transactions	(3,379)	–	–
	434,489	119,935	5,125,060
Amortisation of intangible asset	–	(13)	–
Negative goodwill and intangible asset	–	–	(91,999)
Deferred tax assets	–	–	33,323
Other unallocated assets	–	–	1,652
	<b>434,489</b>	<b>119,922</b>	<b>5,068,036</b>

(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 segmental information is not presented herein.



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

	<b>30 June 2004 HK\$'000</b>	31 December 2003 HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial:		
– Property investment	<b>59,559</b>	60,499
– Wholesale and retail trade	<b>186</b>	293
– Manufacturing	<b>1,731</b>	1,617
– Licensed public vehicles	<b>666,241</b>	607,454
– Others	–	2,925
Individuals:		
– Loans for the purchase of residential properties	<b>27,043</b>	30,627
– Others	<b>2,478,989</b>	2,348,640
Loans for use outside Hong Kong	<b>80,952</b>	81,406
	<b>3,314,701</b>	3,133,461

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.

(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.

The Group has established policies and systems for the monitoring and control of credit risk. The Credit Committee of JCG Finance Company, Limited ("JCG Finance") 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 of the Group is responsible for appraising the effectiveness of credit controls. The Group continues to maintain a tight control on loan assessments and approvals and will continue to pursue a conservative and prudent policy in granting loans.



## MANAGEMENT DISCUSSION AND ANALYSIS

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### **Business Review**

In the first half of year 2004, Hong Kong's economy gathered further growth momentum, boosted by the on-going US-led global recovery and China's strong growth. The implementation of CEPA and relaxation of travel restrictions for individual Chinese citizens from some cities in China to visit Hong Kong helped boost economic confidence and tourism industry in Hong Kong, respectively. Consumer sentiment improved partly due to the improvement in unemployment rate to 7.0% in May 2004. During the period under review, competition for consumer loans and taxi financing loans was keen amongst financial institutions, while trading volume of taxi licences remained low.

Despite such a competitive and challenging business environment, the Group recorded a profit after tax of HK\$150.6 million for the six months ended 30 June 2004, representing an increase of 48.0% or HK\$48.8 million when compared to HK\$101.8 million in the corresponding period in the previous year. The Group's earnings for the six months ended 30 June 2004 improved to HK\$0.213 per share. The directors have declared the payment of a special dividend of HK\$1.75 per share together with an interim dividend of HK\$0.05 per share on 17 June 2004. The total dividend of HK\$1.80 per share is payable on 30 September 2004.

The increase in profit after tax was mainly attributed to the reduction in provisions for bad and doubtful debts and the increase in non-interest income in the period under review.

The Group's provision for bad and doubtful debts for the six months ended 30 June 2004 decreased by 30.7% or HK\$68.8 million to HK\$155.0 million when compared to the corresponding period in the previous year. During the period under review, the number of personal bankruptcy petitions from the Group's consumer loan customers continued to fall, resulting in the decline in the Group's bad debt charge.

During the period under review, the Group's non-interest income increased by 21.1% or HK\$17.2 million to HK\$98.7 million as compared to the corresponding period in the previous year, mainly attributed to an increase in fee income from increase in refinancing of loans, and amortisation of negative goodwill arising from the privatisation of Winton Holdings (Bermuda) Limited.

The Group's interest income decreased by 6.5% or HK\$24.4 million to HK\$349.1 million mainly due to lower average gross loans and advances when compared to the first half of year 2003. The Group's interest expense decreased by 71.1% or HK\$14.6 million to HK\$5.9 million mainly due to the lower interest rates and decline in customer deposits when compared to the corresponding period in the previous year. As a result, the Group's net interest income decreased marginally by 2.8% or HK\$9.8 million to HK\$343.2 million in the first half of year 2004 from HK\$353.0 million in the first half of year 2003.

The Group's operating expenses increased by 10.3% or HK\$9.3 million to HK\$100.1 million for the period under review when compared to the previous corresponding period. The Group continued to exercise effective control over its operating costs and maintained a low cost to operating income ratio of 22.7% for the six months ended 30 June 2004.

As at 30 June 2004, the Group's total gross loans and advances after bad debts written off of HK\$151.2 million increased moderately by 5.8% or HK\$181.2 million to HK\$3,314.7 million from HK\$3,133.5 million as at the end of December 2003. The loan growth was mainly from increase in the consumer loans and taxi financing loans.

### ***Segmental Information***

The Group's business comprised mainly two segments, personal and commercial lending, and taxi trading. Over 90% of the Group's operating income and profit before tax were contributed from personal and commercial lending. When compared to the corresponding period in the previous year, the Group's operating income from personal and commercial lending decreased slightly by 1.0% mainly due to decrease in interest income arising from lower average gross loans and advances in the period under review. The profit before tax of personal and commercial lending increased by 44.4% to HK\$172.7 million mainly due to decrease in provisions of bad debts in the same period.

### ***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 2003 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. The Group has declared the payment of a special dividend of HK\$1.75 per share amounting to HK\$1.24 billion out of the retained earnings and payable to the shareholders on 30 September 2004.

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 2003 Annual Report.

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

### ***Human Resources Management***

The objectives of the Group's human resources management are essentially the same as that disclosed in the Company's 2003 Annual Report. As at the end of June 2004, the Group had a staff force of about 470 people. For the six months ended 30 June 2004, the Group's staff costs amounted to HK\$46.2 million.

### ***Contingent Liabilities***

There were no material contingent liabilities of the Group at the end of the period under review.

### ***Prospects***

For the second half of year 2004, the Hong Kong economy is expected to maintain its growth momentum as a result of the positive global economic outlook and stronger domestic demand. The number of personal bankruptcy petitions is expected to decline gradually and the unemployment rate in Hong Kong to improve further. However, competition for consumer loan business amongst financial institutions in Hong Kong is expected to further intensify, in particular, with the sharing of positive credit data for unsecured consumer loans. The expected increase in market interest rates will lead to higher funding cost for the Group on the one hand, while competition among financial institutions for loans may drive down pricing for loans on the other hand. Therefore, to cope with such competition and challenges ahead, the Group will continue to launch more aggressive marketing and promotional activities to selected market segments to expand its customer base in consumer loans. The Group will continue to strengthen its credit risk management and apply stringent credit assessment for its consumer loan business. With the implementation of the sharing of positive credit

data for consumer credit, the Group will be in a better position to assess the credit worthiness and credit risk of its customers and adopt appropriate measures to expand its consumer loans.

The Group will also continue to promote its taxi financing and taxi trading businesses with its established panel of financiers and taxi dealers.

## **DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 30 June 2004, the directors' interests and short positions in the shares and underlying shares of the Company or any of 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 (the "Model Code"), were as follows:

(a) Long positions in ordinary shares of the Company and associated corporations

Interests in	Note	Name of director	Directly beneficially owned	Number of ordinary shares		Total	Percentage of interest in issued share capital
				Through spouse or minor children	Through controlled corporation		
1. The Company		Tan Sri Dato' Sri Dr. Teh Hong Piow	-	-	462,282,110	462,282,110	65.3164
		Tan Yoke Kong	50,000	-	-	50,000	0.0071
2. Public Bank Berhad ("Public Bank"), the ultimate holding company	1	Tan Sri Dato' Sri Dr. Teh Hong Piow	781,250	-	799,668,596	800,449,846	24.3035
	1	Datuk Tay Ah Lek	2,644,874	-	139,482	2,784,356	0.0845
	1	Dato' Yeoh Chin Kee	-	25,000	-	25,000	0.0008
	1	Wong Kong Ming	129,261	-	-	129,261	0.0039
	1	Chang Kat Kiam	102,372	-	-	102,372	0.0031
3. PB International Factors Sdn. Bhd., a fellow subsidiary		Tan Sri Dato' Sri Dr. Teh Hong Piow	-	-	5,500,000	5,500,000	55.0000
4. Public Mutual Bhd., a fellow subsidiary		Tan Sri Dato' Sri Dr. Teh Hong Piow	-	-	5,400,000	5,400,000	90.0000
5. Winsure Company, Limited, a subsidiary		Tan Sri Dato' Sri Dr. Teh Hong Piow	-	-	15,500	15,500	96.8750

Note 1: The number of ordinary shares was adjusted pursuant to the consolidation of 2 shares of RM0.50 each into 1 share of RM1.00 each of Public Bank during the period.

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 its associated corporations as disclosed above, to the extent that Public Bank has an interest.

## (b) Long positions in underlying shares of the Company and associated corporations

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 during the period	Exercised during the period	At the end of the period		
Public Bank	Tan Sri Dato' Sri						
	Dr. Teh Hong Piow	125,000#	-	125,000#	-	RM1.64#	10.4.1998 to 24.2.2006
		37,500#	-	37,500#	-	RM1.64#	23.4.2001 to 24.2.2006
		18,180,000#	-	18,180,000#	-	RM3.56#	6.6.2002 to 24.2.2006
		40,625#	-	40,625#	-	RM1.64#	18.7.2002 to 24.2.2006
		4,545,000#	-	4,545,000#	-	RM3.56#	18.7.2002 to 24.2.2006
		50,782#	-	50,782#	-	RM1.64#	25.7.2003 to 24.2.2006
		5,681,250#	-	5,681,250#	-	RM3.56#	25.7.2003 to 24.2.2006
		-	20,743,000	-	20,743,000	RM4.92	9.6.2004 to 24.2.2006
		<u>28,660,157</u>	<u>20,743,000</u>	<u>28,660,157</u>	<u>20,743,000</u>		
	Datuk Tay Ah Lek	87,500#	-	-	87,500#	RM1.64#	10.4.1998 to 24.2.2006
		26,250#	-	-	26,250#	RM1.64#	23.4.2001 to 24.2.2006
		5,000,000#	-	2,500,000#	2,500,000#	RM3.56#	6.6.2002 to 24.2.2006
		28,438#	-	-	28,438#	RM1.64#	18.7.2002 to 24.2.2006
		1,250,000#	-	-	1,250,000#	RM3.56#	18.7.2002 to 24.2.2006
		35,547#	-	-	35,547#	RM1.64#	25.7.2003 to 24.2.2006
		1,562,500#	-	-	1,562,500#	RM3.56#	25.7.2003 to 24.2.2006
		-	2,000,000#	-	2,000,000#	RM4.60#	6.2.2004 to 24.2.2006
		-	5,000,000	-	5,000,000	RM4.92	9.6.2004 to 24.2.2006
		<u>7,990,235</u>	<u>7,000,000</u>	<u>2,500,000</u>	<u>12,490,235</u>		
	Dato' Yeoh Chin Kee	-	2,250,000	-	2,250,000	RM4.92	9.6.2004 to 24.2.2006
	Chang Kat Kiam	264,063#	-	-	264,063#	RM3.56#	6.6.2002 to 24.2.2006
		175,000#	-	-	175,000#	RM4.60#	22.12.2003 to 24.2.2006
		<u>439,063</u>	<u>-</u>	<u>-</u>	<u>439,063</u>		
	Tan Yoke Kong	-	15,000	-	15,000	RM4.92	25.6.2004 to 24.2.2006
	Lee Huat Oon	-	5,000	-	5,000	RM4.92	25.6.2004 to 24.2.2006

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 during the period	Exercised during the period	At the end of the period		
Public Bank	Wong Kong Ming	50,000#	–	38,000#	12,000#	RM3.56#	6.6.2002 to 24.2.2006
		12,500#	–	–	12,500#	RM3.56#	18.7.2002 to 24.2.2006
		15,625#	–	–	15,625#	RM3.56#	25.7.2003 to 24.2.2006
		–	15,000	–	15,000	RM4.92	17.6.2004 to 24.2.2006
		78,125	15,000	38,000	55,125		

# The number of ordinary shares at par value of RM0.50 each attached to the share options and the relevant exercise prices have been adjusted to reflect the consolidation of 2 shares of RM0.50 each into 1 share of RM1.00 each of Public Bank during the period.

Note: The options to subscribe for ordinary shares of RM1.00 (RM0.50 prior to the completion of the aforesaid share consolidation on 2 June 2004) each in Public Bank were first granted on 10 April 1998 under the Public Bank Berhad Employees' Share Option Scheme ("PBB ESOS"). Following approvals from the relevant authorities and the shareholders of Public Bank at the extraordinary general meetings held on 20 May 2002 and 20 April 2004, the PBB ESOS has been extended for a total of three years to 25 February 2006. Hence, the exercisable period of the options has also been extended up to and including 24 February 2006. The options are exercisable subject to the terms of the PBB ESOS.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, or underlying shares of the Company or any of its associated corporations that was required to be recorded under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2004.

## SHARE OPTION SCHEME

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.

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

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As at 30 June 2004, the register of interests and short positions in the shares and underlying shares of the Company kept under Section 336 of the SFO showed that, other than the interests of Tan Sri Dato' Sri Dr. Teh Hong Piow as disclosed above, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

<b>Name</b>	<b>Capacity</b>	<b>Number of ordinary shares</b>	<b>Percentage of interest in issued share capital</b>
<b>Substantial shareholder</b>			
1. Public Bank	Beneficial owner	462,282,110	65.3164
<b>Other person</b>			
2. The Capital Group Companies, Inc.	Investment manager	49,027,800	6.9272

All the interests stated above represent long positions. Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded under Section 336 of the SFO as at 30 June 2004.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY**

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Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2004.

## **CODE OF BEST PRACTICE**

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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**

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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, 16 July 2004