

1 Statement of compliance and accounting policies

The 2001 Interim Report has been prepared in accordance with the requirements of the Main Board Listing Rules (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “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 under the “Recommendations on Interim Financial Disclosure by Authorised Institutions Incorporated in Hong Kong” issued by the Hong Kong Monetary Authority.

The accounting policies and basis of preparation adopted in the Company’s 2001 Interim Report are similar to those applied to the audited 2000 annual financial statements except for the adoption of the SSAP 9 (revised) “Events after the balance Sheet date”. In accordance with the SSAP 9 (revised), the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the proposed final dividend previously recorded as a current liability as at 31 December 2000 has been restated and shown under reserves.

Certain comparative figures have been reclassified to conform with presentation of current period.

2 Other operating income

	For the six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Fees and commission income	97,201	91,717
Gross rental income	2,710	2,751
Less: outgoing expenses	(151)	(191)
Net rental income	2,559	2,560
Loss on disposal of fixed assets	(82)	(79)
Net profit from trading activities	1,097	1,915
Dividends from listed investments	201	—
Others	3,149	2,969
	104,125	99,082

Net profit from trading activities has been arrived at after netting off the cost of inventories sold in the amount of HK\$64,032,000 (2000: HK\$52,324,000).

3 Operating expenses

	For the six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Staff costs:		
Salaries and other staff costs	48,169	51,250
Pension contributions	3,252	2,917
Less: Forfeited contributions	(532)	(550)
Net pension contributions	2,720	2,367
	50,889	53,617
Other operating expenses:		
Operating lease rentals on land and buildings	10,082	10,589
Depreciation	4,646	4,200
Amortisation of intangible assets	13	—
Auditors' remuneration	874	962
Amortisation and write-off of commission expenses	10	9,206
Provision for other doubtful debtors	19,867	5,237
Administrative and general expenses	9,702	8,154
Others	22,243	22,627
	118,326	114,592

At 30 June 2001, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2000: 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	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Specific charge	126,917	118,606
General charge	(5,762)	2,462
	121,155	121,068
Loan recoveries	(4,493)	(2,763)
Net charge to the profit and loss account	116,662	118,305

5 Tax

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period.

No deferred tax has been provided for the period as there were no significant timing differences at the period end date (2000: Nil).

No Hong Kong or overseas profits tax has been provided for associates as the associates did not generate any assessable profits in Hong Kong and elsewhere during the period (2000: Nil).

6 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\$245,762,000 (2000: HK\$197,283,000) and the weighted average number of 707,031,031 (2000: 707,022,412) ordinary shares in issue during the period.

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2001 has not been shown as the convertible preference shares of Winton Holdings (Bermuda) Limited ("Winton") outstanding during the period had an anti-dilutive effect on basic earnings per share, and the exercise of share options under the Company's Share Option Scheme for Employees had nil dilutive effect on basic earnings per share. Diluted earnings per share for the six months ended 30 June 2000 has not been shown as the convertible preference shares of Winton outstanding during the period had an anti-dilutive effect.

7 Cash and short term placements

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Cash and balances with banks and other financial institutions	86,476	80,716
Money at call and short notice	585,769	491,610
	672,245	572,326

8 Placements with banks and financial institutions maturing between one and twelve months

The Group's placements with banks, amounting to HK\$300,000,000 (2000: HK\$300,000,000), were placed with a fellow subsidiary of the Company.

The Group's placements with banks, amounting to HK\$5,000,000 (2000: HK\$5,000,000 included in cash and short term placements), was pledged to a bank for credit facilities of HK\$5,000,000 (2000: HK\$5,000,000) granted to the Group. The credit facilities had not been utilised during the period (2000: Nil).

9 Loans and advances

(a) Advances to customers

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Loans and advances to customers	3,801,816	4,111,846
Provisions for bad and doubtful debts:		
Specific	(118,668)	(134,533)
General	(198,567)	(204,328)
	(317,235)	(338,861)
	3,484,581	3,772,985

As at 30 June 2001, no loans and advances were pledged to secure banking facilities. As at 31 December 2000, certain loans were pledged to secure banking facilities of approximately HK\$145,000,000, and such facilities were not utilised.

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:

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Repayable:		
On demand	49,777	56,013
Three months or less	689,698	698,696
One year or less but over three months	1,318,875	1,343,215
Five years or less but over one year	821,401	855,461
After five years	716,673	939,943
Undated	205,392	218,518
	<u>3,801,816</u>	<u>4,111,846</u>

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

	30 June 2001 (Unaudited) HK\$'000	%*	31 December 2000 (Audited) HK\$'000	%*
Gross advances to customers which have been overdue for over 3 months on which interest accrual has ceased:				
Six months or less but over three months	50,957	1.3	41,672	1.0
One year or less but over six months	33,229	0.9	32,069	0.8
Over one year	150,764	4.0	178,593	4.3
	<u>234,950</u>	<u>6.2</u>	<u>252,334</u>	<u>6.1</u>
Taxi financing loans terminated and fully provided for	27,637	0.7	28,958	0.7
	<u>262,587</u>	<u>6.9</u>	<u>281,292</u>	<u>6.8</u>
Gross advances to customers which have been overdue for 3 months or less but interest on which has ceased to accrue	48,750	1.3	44,667	1.1
Total non-performing loans and advances	311,337	<u>8.2</u>	325,959	<u>7.9</u>
Specific provisions	(118,668)		(134,533)	
	<u>192,669</u>		<u>191,426</u>	

* *Percentage of total loans and advances*

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

Under the co-financing arrangements, the taxi financing loans are jointly financed by the co-financing banks and Winton and its subsidiaries (“Winton Group”). Winton Group is entitled to receive certain monthly installments (hereinafter referred to as “Winton Portion”) and the co-financing banks are entitled to receive certain monthly installments (hereinafter referred to as “Bank Portion”). The Bank Portion, other than those co-financed by JCG Finance Company, Limited (“JCG Finance”), does not form part of the Group’s gross advances to customers. Accordingly, taxi financing loans with overdue installments payable to the co-financing banks were not included in the Group’s overdue advances. As at 30 June 2001 and at 31 December 2000, there were no taxi financing loans which were overdue for more than three months under the Group’s gross advances to customers.

The above non-performing advances on which interest is no longer accrued include property mortgage loans and taxi financing loans of HK\$133,859,000 (2000: HK\$167,415,000) and HK\$27,637,000 (2000: HK\$28,958,000), respectively, which are secured by properties, taxi cabs and taxi licences. Specific provisions of approximately HK\$41,876,000 (2000: HK\$61,135,000) and HK\$8,688,000 (2000: HK\$11,962,000) are related to property mortgage loans and taxi financing loans, respectively.

(c) Rescheduled loans

As at 30 June 2001, there were no rescheduled loans under the Group’s gross advances (2000: Nil).

The co-financing banks of Winton Group have rescheduled the Bank Portion of a certain number of taxi financing loans. However, the Winton Portion of these taxi financing loans were not rescheduled, and therefore were not classified herein as rescheduled loans.

10 Other assets

	30 June 2001 (Unaudited) HK\$’000	31 December 2000 (Audited) HK\$’000
Inventories	29,317	24,940
Interest receivable	202,203	310,870
Other debtors, deposits and prepayments	128,473	137,849
Deferred expenditure	1,437	2,532
	361,430	476,191

Included in other debtors is trade receivables of HK\$21,000 (2000: HK\$502,000) after netting off provision of doubtful debtors of HK\$635,000 (2000: HK\$362,000). As the trade receivables are immaterial to the Group, the maturity profile thereof is not disclosed. The Group allows an average credit of 90 days to its trade debtors.

11 Customer deposits

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

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Repayable:		
On demand	5,450	5,652
Three months or less	1,008,166	1,074,362
One year or less but over three months	321,958	238,804
	1,335,574	1,318,818

12 Interest-bearing bank borrowings

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Bank loans:		
Secured	—	15,458
Unsecured		
Loans from a fellow subsidiary	350,000	749,414
	350,000	764,872
Repayable:		
Within one year	—	15,458
In the second year	350,000	749,414
	350,000	764,872

Included in bank loans were loans amounting to HK\$350,000,000 (2000:HK\$749,414,000) obtained from a fellow subsidiary, which is a bank.

13 Other liabilities

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Creditors, accruals and interest payable	116,673	111,957
Tax payable	50,541	33,100
Deferred tax (<i>Note 14</i>)	10,690	10,690
	177,904	155,747

Included in creditors is trade payables of HK\$35,000 (2000: HK\$10,000). As the trade payables are immaterial to the Group, the maturity profile thereof is not disclosed.

14 Deferred tax

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

	Provided		Unprovided	
	30 June	31 December	30 June	31 December
	2001	2000	2001	2000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Commission expenses claimed over amount amortised	10,690	10,690	—	—
Unutilised tax losses	—	—	(121,561)	(134,768)
	10,690	10,690	(121,561)	(134,768)

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

15 Share capital

Ordinary shares of HK\$0.10 each	Number of shares	Nominal value HK\$'000
Authorised:		
At beginning and at end of the period	1,000,000,000	100,000
Issued and fully paid:		
At 1 January 2001	707,022,412	70,702
Exercise of share options	52,000	5
At 30 June 2001	707,074,412	70,707

16 Reserves

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Share premium account		
At 1 January	1,206,157	1,206,157
Premium arising on share options exercised	242	—
	1,206,399	1,206,157
Capital redemption reserve	829	829
Contributed surplus	96,116	96,116
Capital reserve	85,567	85,567
Translation reserve	428	428
Long term investment revaluation reserve		
At 1 January	14,147	—
(Deficit)/gain on revaluation at market value	(3,220)	14,147
	10,927	14,147
Proposed dividend	60,101	169,686
Retained profits		
At 1 January	1,428,311	1,207,918
Retained profit for the period/ year	185,661	220,393
	1,613,972	1,428,311
	3,074,339	3,001,241

17 Commitments

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Capital commitments:		
Authorised, but not contracted for	—	—
Contracted for, but not provided in the financial statements		
- Purchase of fixed assets	—	—
- Others	238	108
	238	108
Annual commitments under non-cancellable operating leases for land and buildings expiring:		
Within one year	2,814	4,179
In the second to fifth years, inclusive	17,309	12,433
	20,123	16,612

18 Undrawn loan facilities

The undrawn loan facilities relate to customers of JCG Finance.

	30 June 2001		31 December 2000	
	Contractual amount (Unaudited) HK\$'000	Risk weighted amount (Unaudited) HK\$'000	Contractual amount (Audited) HK\$'000	Risk weighted amount (Audited) HK\$'000
With an original maturity of under one year or which are unconditionally cancellable	39,118	—	73,700	—

No loan facilities were granted to and drawn by Winton Group (2000: HK\$30,000,000). Undrawn loan facilities of HK\$20,000,000 (2000: HK\$20,000,000) were granted to JCG Securities Limited.

During the six months ended 30 June 2001 and the year ended 31 December 2000, no derivative activities were transacted.

19 Contingent liabilities

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
(a) Guarantees under the joint financing arrangements given to		
- The ultimate holding company	770	770
- Other co-financing banks	3,562	9,186
	<u>4,332</u>	<u>9,956</u>
(b) Various ex-employees of the restaurants formerly operated by four subsidiaries of the Winton Group had served summonses in July 2000 on the subsidiaries seeking to file their respective statements of claim under a representative action concerning employment related matters. At the hearing before the court on 10 July 2001, the court dismissed the ex-employees' applications. The ex-employees have to file their statements of claim separately if they wish to proceed with their claims. Three of the four subsidiaries were under liquidation, and any claims can only be filed against the remaining subsidiary. Based on legal advice, such claims will continue to be defended.		
(c) A subsidiary of the Group was named as second defendant in a legal action initiated by an individual claiming a sum of approximately HK\$12,537,952 for damages and loss of future earnings relating to injuries sustained by the said individual in a traffic accident involving a taxi owned and leased by the said subsidiary to a taxi hirer at the time of the accident. On 22 May 2001, judgement was entered against the taxi hirer as the first defendant, and damages will be assessed at the next hearing. The action against the subsidiary of the Group was stayed pending the outcome of the said hearing. The taxi was covered under a third party insurance policy and the claim is being attended by the insurer. Accordingly, no provision in respect thereof has been made.		

20 Significant related party transactions

A portion of the Group's business is represented by transactions connected with Public Bank Berhad ("Public Bank") and its group of companies. The significant transactions are summarised below:

	For the six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Commission received from the ultimate holding company	503	76
Interest paid to fellow subsidiaries	24,420	47,921
Interest received from a fellow subsidiary	7,939	5,965
Rental income received from the ultimate holding company	418	561
Management fees received from the ultimate holding company	99	111
Interest income from associates	–	1,009
Provision for loss on amount due from an associate	6,700	187