



JCG HOLDINGS LIMITED

日本信用保証集團

(incorporated in Bermuda with limited liability)

(Website: www.jcg.com.hk)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2003

ANNUAL RESULTS

The Board of Directors of JCG Holdings Limited (the "Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2003 with comparative figures are as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Year ended 31 December	
		2003	2002
	Notes	HK\$'000	HK\$'000
Interest income		723,327	800,349
Interest expense		(32,366)	(29,189)
NET INTEREST INCOME		690,961	771,160
Other operating income	2	169,988	167,958
OPERATING INCOME		860,949	939,118
Operating expenses	3	(186,313)	(200,203)
OPERATING PROFIT BEFORE PROVISIONS		674,636	738,915
Provisions for bad and doubtful debts	8	(415,173)	(477,213)
OPERATING PROFIT		259,463	261,702
Gain on disposal of an associate		–	3,557
PROFIT BEFORE TAX		259,463	265,259
Tax	4	(27,460)	(28,438)
PROFIT BEFORE MINORITY INTERESTS		232,003	236,821
Minority interests		130	517
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		232,133	237,338
DIVIDENDS	5		
Interim		169,860	32,005
Proposed final		–	95,547
		169,860	127,552
EARNINGS PER SHARE (cents)	6		
Basic		32.8	33.5
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	31 December 2003 HK\$'000	31 December 2002 HK\$'000 (Restated)
ASSETS			
Cash and short term placements		1,253,221	1,444,612
Placements with banks and financial institutions maturing between one and twelve months		176,901	128,368
Loans and advances	7	2,883,157	3,223,378
Other assets	9	219,415	224,092
Long term investment		13,564	7,889
Investment properties		57,430	60,080
Interest in an associate		–	–
Negative goodwill	10	(73,730)	–
Fixed assets		323,132	296,515
TOTAL ASSETS		<u>4,853,090</u>	<u>5,384,934</u>
LIABILITIES			
Customer deposits		1,309,344	1,774,336
Other liabilities	11	239,465	93,732
TOTAL LIABILITIES		<u>1,548,809</u>	<u>1,868,068</u>
CAPITAL RESOURCES			
Share capital		70,776	70,776
Reserves	13	3,233,505	3,135,020
Proposed final dividend	5	–	95,547
Shareholders' funds		3,304,281	3,301,343
Minority interests		–	215,523
TOTAL CAPITAL RESOURCES		<u>3,304,281</u>	<u>3,516,866</u>
TOTAL LIABILITIES AND CAPITAL RESOURCES		<u>4,853,090</u>	<u>5,384,934</u>

CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

	Notes	Year ended 31 December	
		2003 HK\$'000	2002 HK\$'000 (Restated)
TOTAL EQUITY			
Balance at beginning of year			
As previously reported		3,276,618	3,266,370
Prior year adjustment	12	24,725	24,725
As restated		3,301,343	3,291,095
Surplus/(deficit) on revaluation of long term equity investments	13	5,676	(1,651)
Loss on diluted shareholding of a subsidiary, net of gain on redemption of minority interests	13	–	(30,534)
Gain on redemption of minority interests, net of loss on diluted shareholding of a subsidiary	13	30,536	–
Net gains/(losses) not recognised in the consolidated profit and loss account		36,212	(32,185)
Net profit from ordinary activities attributable to shareholders		232,133	237,338
Dividends paid/declared on shares		(265,407)	(198,167)
Issue of shares		–	3,262
		(33,274)	42,433
Balance at end of year		3,304,281	3,301,343

The listing status of the ordinary shares of Winton Holdings (Bermuda) Limited (“Winton”), a subsidiary of the Company, was withdrawn from The Stock Exchange of Hong Kong Limited (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 THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in these financial statements are consistent with those adopted in the Group’s audited 2002 annual financial statements except for the adoption of SSAP 12 (Revised) and Interpretation 20 “Income taxes – Recovery of revalued non-depreciable assets” that prescribes the accounting treatment for income taxes to account for the current and future tax consequences of the future recovery and settlement of the carrying amount of assets and liabilities of the Group. The principal impact of the revision of this SSAP on these financial statements is presented in notes 4 and 12 which are now more extensive than previously required and include a reconciliation between the accounting profit and the tax expense for the year.

2. OTHER OPERATING INCOME

	Year ended 31 December	
	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).

3. OPERATING EXPENSES

	Year ended 31 December	
	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 assets	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.

4. TAX

	Year ended 31 December	
	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 12)	(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).

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:

	Year ended 31 December			
	2003 HK\$'000	%	2002 HK\$'000	%
Hong Kong:				
Accounting profit before tax	<u>259,463</u>		<u>265,259</u>	
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 12)	<u>1,278</u>	<u>0.5</u>	-	-
Tax charge at the Group's effective rate	<u>27,460</u>	<u>10.6</u>	<u>28,438</u>	<u>10.7</u>

5. DIVIDENDS

	Year ended 31 December			
	2003 Cents per ordinary share	2002	2003 HK\$'000	2002 HK\$'000
Interim:				
First	4.0	4.5	28,308	32,005
Second	20.0	-	141,552	-
Proposed final	-	13.5	-	95,547
	<u>24.0</u>	<u>18.0</u>	<u>169,860</u>	<u>127,552</u>

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 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 convertible preference shares 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.

7. LOANS AND ADVANCES

(a) Advances to customers and other accounts

	31 December 2003 HK\$'000	31 December 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)
	<u>(308,054)</u>	<u>(331,422)</u>
	<u>2,883,157</u>	<u>3,223,378</u>

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

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:

	31 December 2003	31 December 2002
	<i>HKS '000</i>	<i>HKS '000</i>
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
	<u>3,133,461</u>	<u>3,466,228</u>

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

	31 December 2003		31 December 2002	
	Gross amount	Percentage of total loans and advances	Gross amount	Percentage of total loans and advances
	<i>HKS '000</i>		<i>HKS '000</i>	
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
	<u>157,754</u>	<u>5.0</u>	<u>196,354</u>	<u>5.6</u>
Overdue for three months or less	31,322	1.0	39,765	1.2
	<u>189,076</u>	<u>6.0</u>	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	–	–
	<u>70,564</u>	<u>2.3</u>	–	–
Total non-performing loans and advances	<u>259,640</u>	<u>8.3</u>	236,119	<u>6.8</u>
Specific provisions	<u>(116,273)</u>		<u>(123,151)</u>	
	<u>143,367</u>		<u>112,968</u>	

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

- (c) Interest-accrual rescheduled loans

	31 December 2003		31 December 2002	
	Gross amount	Percentage of total loans and advances	Gross amount	Percentage of total loans and advances
	<i>HKS '000</i>		<i>HKS '000</i>	
Gross advances to customers which have been rescheduled	<u>2,246</u>	<u>0.1</u>	<u>62,968</u>	<u>1.8</u>

- (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 <i>HK\$'000</i>	General <i>HK\$'000</i>	Total <i>HK\$'000</i>
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

9. OTHER ASSETS

	31 December 2003 <i>HK\$'000</i>	31 December 2002 <i>HK\$'000</i> (Restated)
Inventories	31,816	37,674
Interest receivable from banks	130	719
Tax recoverable	9,533	15,827
Other debtors, deposits and prepayments	141,048	130,388
Deferred expenditure	2,761	5,984
Intangible assets	152	177
Deferred tax assets (<i>Note 12</i>)	33,975	33,323
	219,415	224,092

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.

10. NEGATIVE GOODWILL

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

	31 December 2003 HK\$'000	31 December 2002 HK\$'000
Carrying amount:		
At beginning of year	–	–
Addition during the year	<u>92,163</u>	–
Balance at end of year	<u>92,163</u>	–
Accumulated amortisation:		
At beginning of year	–	–
Provided during the year	<u>18,433</u>	–
Balance at end of year	<u>18,433</u>	–
Net book value at end of year	<u><u>73,730</u></u>	<u><u>–</u></u>

11. OTHER LIABILITIES

	31 December 2003 HK\$'000	31 December 2002 HK\$'000 (Restated)
Creditors, accruals and interest payable	77,687	66,854
Amount due to the ultimate holding company	338	38
Proposed second interim dividend	141,552	–
Provision for long service payments	4,385	4,611
Deferred tax liabilities (Note 12)	<u>15,503</u>	<u>22,229</u>
	<u><u>239,465</u></u>	<u><u>93,732</u></u>

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

12. DEFERRED TAX

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

Deferred tax assets:

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

Deferred tax liabilities:

	At 1 January 2003 HK\$'000 (As previously reported)	Prior year adjustment HK\$'000	At 1 January 2003 HK\$'000 (Restated)	Deferred tax charged/ (credited) to the profit and loss account (Note) HK\$'000	At 31 December 2003 HK\$'000
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
	<u>13,631</u>	<u>8,598</u>	<u>22,229</u>	<u>(6,726)</u>	<u>15,503</u>

Deferred tax assets:

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

Deferred tax liabilities:

	At 1 January 2002 HK\$'000 (As previously reported)	Prior year adjustment HK\$'000	At 1 January 2002 HK\$'000 (Restated)	Deferred tax charged/ (credited) to the profit and loss account (Note) HK\$'000	At 31 December 2002 HK\$'000 (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
	<u>9,690</u>	<u>8,175</u>	<u>17,865</u>	<u>4,364</u>	<u>22,229</u>

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 4).

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 been 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. 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 13 to the financial statements.

13. RESERVES

	31 December 2003 HK\$'000	31 December 2002 HK\$'000 (Restated)
Share premium account:		
At 1 January	1,209,593	1,206,400
Premium arising on share options exercised	–	3,193
	1,209,593	1,209,593
Capital redemption reserve	829	829
Contributed surplus	96,116	96,116
Capital reserve:		
At 1 January	55,033	85,567
Loss on diluted shareholding of a subsidiary, net of gain on redemption of minority interests	–	(30,534)
Gain on redemption of minority interests, net of loss on diluted shareholding of a subsidiary	30,536	–
	85,569	55,033
Translation reserve	428	428
Long term investment revaluation reserve:		
At 1 January	7,626	9,277
Surplus/(deficit) on revaluation at market value	5,676	(1,651)
	13,302	7,626
Retained profits:		
At 1 January		
As previously reported	1,740,670	1,630,884
Prior year adjustment (<i>Note 12</i>)	24,725	24,725
As restated	1,765,395	1,655,609
Retained profit for the year	232,133	237,338
Dividend	(169,860)	(127,552)
	1,827,668	1,765,395
	<u>3,233,505</u>	<u>3,135,020</u>

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.

14. 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:

	31 December 2003 HK\$'000	31 December 2002 HK\$'000
Within one year	5,755	4,431
In the second to fifth years, inclusive	4,406	2,907
	<u>10,161</u>	<u>7,338</u>

- (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:

	31 December 2003 HK\$'000	31 December 2002 HK\$'000
Within one year	15,564	16,493
In the second to fifth years, inclusive	9,263	10,214
	<u>24,827</u>	<u>26,707</u>

15. COMMITMENTS

	31 December 2003 HK\$'000	31 December 2002 HK\$'000
Capital commitments:		
Contracted for, but not provided in the financial statements	<u>28</u>	<u>125</u>

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

16. UNDRAWN LOAN FACILITIES

The undrawn loan facilities are related to customers of JCG Finance Company, Limited ("JCG Finance"), a wholly-owned subsidiary of the Company.

	31 December 2003		31 December 2002	
	Contractual amount HK\$'000	Risk weighted amount HK\$'000	Contractual amount HK\$'000	Risk weighted amount HK\$'000
With an original maturity of under one year or which are unconditionally cancellable	<u>26,444</u>	<u>—</u>	<u>29,112</u>	<u>—</u>

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

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

17. CONTINGENT LIABILITIES

	31 December 2003 HK\$'000	31 December 2002 HK\$'000
Guarantees under the co-financing arrangements given to the ultimate holding company	<u>—</u>	<u>770</u>

18. COMPARATIVE FIGURES

Due to the adoption of the revised Statements of Standard Accounting Practice during the current year, the presentation of the financial statements and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative figures have been reclassified to conform with the current year's presentation.

SUPPLEMENTARY INFORMATION (UNAUDITED)**Segmental information**

(a) By business segments

	Year ended 31 December 2003	31 December 2003
	Operating income	Profit before tax
	<i>HK\$'000</i>	<i>HK\$'000</i>
Personal and commercial lending	834,314	237,063
Taxi trading and related operations, and other businesses	14,948	6,408
Inter-segment transactions	(6,746)	–
	<u>842,516</u>	<u>243,471</u>
Amortisation of negative goodwill and intangible asset	–	18,408
Unallocated revenue/(expenses)	18,433	(2,416)
Negative goodwill and intangible asset	–	–
Other unallocated assets	–	–
	<u>860,949</u>	<u>259,463</u>
		<u>4,883,160</u>

	Year ended 31 December 2002	31 December 2002
	Operating income	Profit before tax
	<i>HK\$'000</i>	<i>HK\$'000</i>
Personal and commercial lending	923,548	255,206
Taxi trading and related operations, and other businesses	22,717	6,496
Inter-segment transactions	(7,147)	–
	<u>939,118</u>	<u>261,702</u>
Gain on disposal of an associate	–	3,557
Unallocated assets	–	–
	<u>939,118</u>	<u>265,259</u>
		<u>5,335,784</u>
		<u>49,150</u>
		<u>5,384,934</u>

(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 these financial statements.

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

	Gross advances to customers	
	31 December 2003 HK\$'000	31 December 2002 HK\$'000
Loans for use in Hong Kong		
Industrial, commercial and financial:		
– Property development	–	12,715
– Property investment	60,499	50,287
– Wholesale and retail trade	293	246
– Manufacturing	1,617	2,303
– Licensed public vehicles	607,454	723,784
– Others	2,925	5,508
Individuals:		
– Loans for the purchase of residential properties	30,627	44,803
– Credit card advances	–	6,560
– Others	2,348,640	2,530,358
Loans for use outside Hong Kong	81,406	89,664
	<u>3,133,461</u>	<u>3,466,228</u>

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.

Capital adequacy and liquidity ratios

	2003 Unadjusted ratio	2002 Unadjusted ratio
Capital adequacy ratio as at 31 December	<u>43.17%</u>	<u>38.96%</u>
Average liquidity ratio for the year	<u>96.80%</u>	<u>127.17%</u>

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

	31 December 2003 HK\$'000	31 December 2002 HK\$'000
Core capital:		
Paid up ordinary share capital	258,800	258,800
Share premium account	412,238	412,238
Reserves (eligible for inclusion in core capital)	576,636	557,420
	<u>1,247,674</u>	<u>1,228,458</u>
Eligible supplementary capital:		
Reserve on revaluation of securities not held for trading purposes	9,311	5,338
General provisions for doubtful debts	39,038	42,634
	<u>48,349</u>	<u>47,972</u>
Total capital base before deductions	<u>1,296,023</u>	<u>1,276,430</u>
Deductions from total capital base	<u>(10)</u>	<u>(10)</u>
Total capital base after deductions	<u>1,296,013</u>	<u>1,276,420</u>

The above unadjusted capital adequacy ratio, being that of JCG Finance, is computed on a consolidated basis (including JCG Securities Limited and Funds Fit Limited) in accordance with the Third Schedule of the Banking Ordinance.

The adjusted capital adequacy ratio is not disclosed herein as the market risk arising from JCG Finance's trading book is regarded as immaterial. JCG Finance meets all of the de minimis exemption criteria for reporting market risk as set out in "Maintenance of Adequate Capital Against Market Risks" under the Supervisory Policy Manual issued by the Hong Kong Monetary Authority ("HKMA") and has relied on such criteria in considering the materiality of market risk arising from its trading book.

The above average liquidity ratio for the year, being that of JCG Finance, is computed in accordance with the Fourth Schedule of the Banking Ordinance.

COMPLIANCE WITH SUPERVISORY POLICY MANUAL

The Group has followed the guidelines on "Financial Disclosure by Locally Incorporated Authorised Institutions" and "Corporate Governance of Locally Incorporated Authorised Institutions" under the Supervisory Policy Manual issued by the HKMA.

DIVIDENDS

A second interim dividend of 20.0 cents (2002: Nil) per ordinary share was declared on 31 December 2003 and will be payable on 3 February 2004 to shareholders of the Company whose names appear on the register of members on 16 January 2004. The directors do not recommend the payment of a final dividend (2002: 13.5 cents). Together with the first interim dividend paid of 4.0 cents (2002: 4.5 cents) per share, the total dividend per share for the year is 24.0 cents (2002: 18.0 cents).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 22 March 2004 to 25 March 2004, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 19 March 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In year 2003, Hong Kong's economy was adversely affected by the outbreak of SARS with unemployment rate at a record high of 8.7%. Demand for loans, in particular, consumer financing, was subdued and competition for consumer loan business amongst financial institutions intensified further.

The outbreak of SARS had also affected the taxi financing and taxi trading industry as the income of taxi drivers fell during the outbreak. Consequently, the taxi trading activities of taxi licenses in the market were relatively low, and it caused the Group's volume of taxi financing and trading of taxi licenses to fall correspondingly.

Despite such a difficult business environment, the Group recorded a profit after tax of HK\$232.1 million, representing a slight decrease of 2.2% or HK\$5.2 million when compared to HK\$237.3 million in the previous year.

Profit and loss analysis

The decrease in profit after tax was mainly attributed to the decrease in net interest income and the decrease in non-interest operating income before taking into account the credit from amortisation of negative goodwill arising from the privatisation of Winton.

For the year ended 31 December 2003, the Group's net interest income decreased by 10.4% or HK\$80.2 million to HK\$691.0 million. The Group's interest income decreased by 9.6% or HK\$77.0 million to HK\$723.3 million mainly due to a decrease in gross loans and advances. Although customer deposits as at 31 December 2003 was lower than the previous year end, the Group's interest expense increased by 10.9% or HK\$3.2 million to HK\$32.4 million mainly because the average customer deposits over the year was higher than that of the previous year.

The Group's other non-interest operating income, excluding the amount of amortisation of negative goodwill of HK\$18.4 million for the year, decreased by 9.8% or HK\$16.4 million to HK\$151.6 million mainly due to the decrease in loans processing and related fees as a result of lower volume of consumer loans, and the decrease in contribution from taxi trading activities during the year.

The Group's provisions for bad and doubtful debts decreased by 13.0% or HK\$62.0 million to HK\$415.2 million during the year mainly due to the decrease in personal bankruptcies from the consumer loan customers. However, an increase in the individual voluntary arrangement cases from the consumer loan customers narrowed the decrease in the provisions for bad and doubtful debts, as the Group also adopted a conservative and prudent provisioning policy for such accounts.

The Group's operating expenses decreased by 6.9% or HK\$13.9 million to HK\$186.3 million for the year when compared to the previous year resulting in the Group's cost to operating income ratio to remain relatively low at 21.6% in 2003.

Balance sheet analysis

As at 31 December 2003, the Group's total gross loans and advances decreased by 9.6% or HK\$332.7 million to HK\$3,133.5 million from HK\$3,466.2 million at the end of December 2002, following the write-off of bad debts of HK\$456.4 million, which was mainly from the consumer loan customers, and lower volume of consumer loans transacted by the Group during the year. The Group's customer deposits decreased by 26.2% or HK\$465.0 million to HK\$1,309.3 million as at 31 December 2003 from HK\$1,774.3 million as at 31 December 2002.

Shareholders' fund of the Group as at 31 December 2003 grew to HK\$3,304.3 million.

Segmental information

The Group's business comprised mainly of two segments, personal and commercial lendings, and taxi trading. Over 90% of the Group's operating income and profit before tax were contributed from personal and commercial lendings. When compared to the previous year, the Group's operating income of personal and commercial lendings decreased by 9.7% to HK\$834.3 million. The contribution to profit before tax from personal and commercial lendings decreased by 7.1% to HK\$237.1 million mainly due to the lower operating income during the year.

Asset quality

The Group's non-performing loans ("NPL") to total gross loans and advances was 8.3% at the end of December 2003 against 6.8% at the end of December 2002. The increase in the NPL was mainly due to the re-classification of a re-scheduled loan, which comprised 2.0% of the NPL. The repayment of the loan was affected by the outbreak of SARS.

The consolidated capital adequacy ratio of JCG Finance increased by 4.21% to 43.17% at the end of 2003 when compared to 38.96% at the end of 2002, mainly due to the decrease in the risk-weighted average assets.

Funding and capital management

The main objectives of the Group's funding and capital management are to ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund business growth and to generate reasonable returns from available funds. The Group also encourages its subsidiaries to be independent and self-reliant on funding their business growth.

The Group relied principally on its internally generated capital and customer deposits to fund its business. The principal source of internally generated capital is from retained earnings. JCG Finance's average liquidity ratio stood high at 96.8% in 2003.

During 2003, the Group did not incur any material capital expenditure commitment. There were also no significant changes in charges over the Group's assets.

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

Human resources management

The objectives of the Group's human resources management are to recognise and reward performing and competent staff by providing a competitive remuneration package and implementing a sound performance appraisal scheme, and to earmark them for their future career development.

Staff has been encouraged and sponsored to enroll in external training courses, seminars, and professional and technical courses to update their technical knowledge and job skills, to increase their awareness of market and technological changes, and to improve their business acumen.

Social activities and staff integration programs have been organised to enhance staff morale and foster closer team spirit amongst them. Periodical discussions and dialogues between branch personnel and management were held to improve customer service, to increase operational efficiencies, and to identify and launch new business promotions for consumer loans. With a competent, cohesive and well-trained work force, the Group is well positioned to meet new opportunities and challenges ahead.

At the end of December 2003, the Group has a relatively stable staff force of about 478 people. For the year ended 31 December 2003, the Group's staff costs amounted to HK\$84.8 million.

Contingent liabilities

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

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

PUBLICATION OF ANNUAL REPORT ON THE EXCHANGE'S WEBSITE

The Annual Report of the Company containing all the information required by the Listing Rules will be published on the website of Hong Kong Exchanges and Clearing Limited in due course.

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

Hong Kong, 14 January 2004

FIVE YEAR FINANCIAL HIGHLIGHTS

<i>HK\$Million</i>	2003	Year ended 31 December			
		2002 (Restated)	2001 (Restated)	2000 (Restated)	1999 (Restated)
Total assets	4,853.1	5,384.9	4,840.1	5,527.0	5,439.4
Customer deposits	1,309.3	1,774.3	1,033.5	1,318.8	1,304.4
Loans and advances (net)	2,883.2	3,223.4	3,460.6	4,082.7	4,078.4
Shareholders' funds	3,304.3	3,301.3	3,291.1	3,096.7	2,782.1
Net profit attributable to shareholders	232.1	237.3	428.8	446.6	365.3
Basic earnings per share (cents)	32.8	33.5	60.7	63.2	51.7

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an annual general meeting of shareholders of JCG Holdings Limited (the "Company") will be held at Aberdeen Room, Level 3, JW Marriott, Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 25 March 2004 at 10:00 a.m. for the following purposes:

As Ordinary Business:

1. To receive and consider the audited financial statements and the reports of the directors and the auditors for the year ended 31 December 2003.
2. To re-elect directors and to authorise the Board of Directors to fix directors' remuneration.
3. To re-appoint Messrs. Ernst & Young as auditors and to authorise the Board of Directors to fix their remuneration.

As Special Business:

Ordinary Resolutions

4. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

"THAT:

- (a) subject to the following provisions of this Resolution, the exercise by the directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company, and to make or grant offers, agreements or options which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved to the exclusion of any existing specific authority;
- (b) the approval in paragraph (a) of this Resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements or options which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue; (ii) the exercise of warrants, if any, to subscribe for shares of the Company or the exercise of options granted under any share option scheme adopted by the Company; (iii) an issue of shares of the Company in lieu of the whole or part of a dividend on shares of the Company in accordance with the Company's Bye-laws; or (iv) an issue of shares made pro rata to holders of shares in the Company on a fixed record date, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution:
"Relevant Period" means the period from the date of the passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Bye-laws of the Company to be held; or
 - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to the holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restriction or obligation under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong)."

5. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

"THAT:

- (a) the exercise by the directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to repurchase shares of HK\$0.10 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time, be and is hereby generally and unconditionally approved;

- (b) the aggregate nominal amount of shares to be repurchased pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution, and the said approval shall be limited accordingly; and
 - (c) for the purpose of this Resolution:
 - “Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Bye-laws of the Company to be held; or
 - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”
6. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:
“**THAT**, subject to the passing of Ordinary Resolutions Nos.4 and 5 as set out in this notice of annual general meeting, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot shares be and is hereby extended by the additions to the aggregate nominal amount of share capital which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of shares in the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No.5 set out in this notice of annual general meeting, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution.”

Special Resolution

7. To consider and, if thought fit, pass the following resolution as a Special Resolution:
“**THAT** the Bye-laws of the Company be amended in the following manner:
- (a) Bye-law 1
 - (i) by deleting the interpretation of “Hong Kong” in its entirety and substituting therefor a new interpretation as follows:
“Hong Kong” shall mean the Hong Kong Special Administrative Region of the People’s Republic of China;
 - (ii) by deleting the words “any stock exchange in Hong Kong” in line 3 of the interpretation of “relevant territories” and substituting therefor the words “the Stock Exchange”; and
 - (iii) by deleting the interpretation of “clearing house” in its entirety and substituting therefor a new interpretation as follows:
“clearing house” shall mean a recognised clearing house within the meaning of Schedule 1 of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) or a clearing house recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction;
 - (b) Bye-law 39
 - (i) by replacing the word “Commissioner” wherever it appears with the words “Monetary Authority”;
 - (ii) by deleting Bye-law 39(B)(iii)(c) in its entirety and substituting therefor a new Bye-law 39(B)(iii)(c) as follows:
“Monetary Authority” means, for so long as the Company is the holding company of an authorised institution, the Monetary Authority appointed under section 5A of the Exchange Fund Ordinance (Cap. 66 of the laws of Hong Kong);
 - (iii) by deleting the words “Part II” in line 4 of Bye-law 39(B)(iii)(d) and substituting therefor the words “Division 3”;
 - (iv) by deleting Bye-law 39(B)(iii)(g) in its entirety and substituting therefor a new Bye-law 39(B)(iii)(g) as follows:
“Ordinance” means the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) in the form enacted and became effective on 1 April 2003 and notwithstanding any repeal, modification or re-enactment thereof after that date;
 - (v) by deleting the words “(within the meaning of section 8(3) of the Ordinance)” in line 6 of Bye-law 39(B)(iii)(h)(vi); and
 - (vi) by deleting the words “section 2” in line 3 of Bye-law 39(B)(iii)(j) and substituting therefor the words “Schedule 1”;

- (c) Bye-law 48
by deleting the words “The Stock Exchange of Hong Kong Limited” in line 1 and line 14 of Bye-law 48(B)(iii) and substituting therefor the words “the Stock Exchange”;
- (d) Bye-law 81
(i) by inserting the words “or (being a clearing house) is present by a representative or representatives” immediately after the word “representative” in line 9 of Bye-law 81; and
(ii) by inserting “/representing” immediately after the word “holder” in line 11 of Bye-law 81;
- (e) Bye-law 119
by deleting the sentence “A Director or any member of a committee of the Directors may participate in a meeting of the board or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other.” in line 11 of Bye-law 119(A) and substituting therefor the sentence “A Director/Directors may participate in any meeting of the board/board committee by means of telephone conference, electronic or other communication equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.”;
- (f) Bye-law 120
by inserting the words “facsimile or” and “or number” immediately before the word “telex” and after the word “address” respectively, both in line 4 of Bye-law 120;
- (g) Bye-law 130
by deleting the sentence “If the secretary appointed is a corporation or other body, it may act and sign by the hand of any one or more of its directors or officers duly authorised.” in line 11 of Bye-law 130; and
- (h) Bye-law 160
by deleting the words “stock exchange in Hong Kong which, in the opinion of the Directors, is the principal stock exchange in Hong Kong” in line 9 of Bye-law 160 and substituting therefor the words “Stock Exchange”.

By Order of the Board
Tan Yoke Kong
Company Secretary

Hong Kong, 14 January 2004

Notes:

1. The register of members will be closed from Monday, 22 March 2004 to Thursday, 25 March 2004, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 19 March 2004.
2. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. In order to be valid, proxies in the prescribed form must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, no later than forty-eight hours before the time fixed for holding the meeting.
3. Concerning Resolution No.4 of this notice, approval is being sought from members for a general mandate to authorise allotment of shares in the capital of the Company in order to give flexibility to the directors in the event it becomes desirable to issue any additional shares of the Company. The directors have no immediate plan to issue any new shares of the Company pursuant to such approval.
4. Concerning Resolution No.5 of this notice, approval is being sought from members for a general mandate to be given to the directors to repurchase shares.
5. Concerning Resolution No.6 of this notice, approval is being sought from members for an extension of the general mandate sought to be granted to the directors of the Company to allot shares by adding to it the number of shares which shall have been repurchased under the authority granted pursuant to Resolution No.5 of this notice.
6. An explanatory statement containing the information regarding Resolution No.5 of this notice will be sent to members together with the Company's 2003 annual report.