

JCG Holdings Limited



JCG HOLDINGS LIMITED  
日本信用保証集團\*

*(incorporated in Bermuda with limited liability)*

**(Stock code: 626; [www.jcg.com.hk](http://www.jcg.com.hk))**

## **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004**

### **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:

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## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		<b>For the six months ended 30 June</b>	
		<b>2004</b>	<b>2003</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<i>Notes</i>		<b>HK\$'000</b>	<b>HK\$'000</b>
	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	98,723	81,524
	<b>OPERATING INCOME</b>	<b>441,919</b>	<b>434,489</b>
	Operating expenses	(100,103)	(90,775)
	<b>OPERATING PROFIT BEFORE PROVISIONS</b>	<b>341,816</b>	<b>343,714</b>
	Provisions for bad and doubtful debts	(155,014)	(223,792)
	<b>PROFIT BEFORE TAX</b>	<b>186,802</b>	<b>119,922</b>
	Tax	(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 ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>150,632</b>	<b>101,756</b>
	<b>DIVIDENDS</b>	<b>1,273,965</b>	<b>28,310</b>
	<b>EARNINGS PER SHARE (HK\$)</b>		
	Basic	0.213	0.144
	Diluted	N/A	N/A

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## 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		<b>841,903</b>	1,253,221
Placements with banks and financial institutions maturing between one and three months		<b>157,467</b>	176,901
Loans and advances	7	<b>3,030,006</b>	2,883,157
Other assets	8	<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><u>4,534,532</u></b>	<b><u>4,853,090</u></b>
<b>LIABILITIES</b>			
Customer deposits		<b>982,465</b>	1,309,344
Declared dividend		<b>1,273,965</b>	141,552
Other liabilities	9	<b>97,839</b>	97,913
<b>TOTAL LIABILITIES</b>		<b><u>2,354,269</u></b>	<b><u>1,548,809</u></b>
<b>CAPITAL RESOURCES</b>			
Share capital		<b>70,776</b>	70,776
Reserves	10	<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><u>4,534,532</u></b>	<b><u>4,853,090</u></b>

## CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

	<b>For the six months ended 30 June</b>	
	<b>2004 (Unaudited) HK\$'000</b>	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><u>2,180,263</u></b>	<b><u>3,339,215</u></b>

### 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.

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## 2. 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.

## 3. 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

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## 4. 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)
	<u>36,170</u>	<u>18,295</u>

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	<u>186,802</u>		<u>119,922</u>	
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	<u>36,170</u>	<u>19.4</u>	<u>18,295</u>	<u>15.3</u>

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## 5. Dividends

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

## 7. Loans and advances

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

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

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

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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	22,128	42,101
Three months or less	498,629	565,955
One year or less but over three months	1,072,547	1,099,647
Five years or less but over one year	936,486	691,399
After five years	554,007	551,868
Undated	230,904	182,491
	<u><u>3,314,701</u></u>	<u><u>3,133,461</u></u>

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

	<b>30 June 2004 (Unaudited)</b>		31 December 2003 (Audited)	
	<b>Gross amount HK\$'000</b>	<b>Percentage of total loans and advances</b>	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
	<u>130,289</u>	<u>4.0</u>	<u>157,754</u>	<u>5.0</u>
Overdue for three months or less	<u>23,964</u>	<u>0.7</u>	<u>31,322</u>	<u>1.0</u>
	<u>154,253</u>	<u>4.7</u>	<u>189,076</u>	<u>6.0</u>
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	-	-

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	<u>73,145</u>	<u>2.2</u>	<u>70,564</u>	<u>2.3</u>
Total non-performing loans and advances	227,398	<u>6.9</u>	259,640	<u>8.3</u>
Specific provisions	<u>(107,142)</u>		<u>(116,273)</u>	
	<u>120,256</u>		<u>143,367</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*

	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	<u>2,420</u>	<u>0.1</u>	<u>2,246</u>	<u>0.1</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. 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	<u>41,229</u>	<u>33,975</u>
	<u>179,910</u>	<u>219,414</u>

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.

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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.

## 9. Other liabilities

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

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

## 10. Reserves

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

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## 11. 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><u>28,642</u></b>	<b><u>24,827</u></b>

## 12. Commitments & contingent liabilities

### (a) Commitments

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

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.

## 13. 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 <i>HK\$'000</i>	Profit before tax <i>HK\$'000</i>	Total assets <i>HK\$'000</i>
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)	–	–
	<u>432,703</u>	<u>177,599</u>	<u>4,557,678</u>
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
	<u>441,919</u>	<u>186,802</u>	<u>4,534,532</u>
	For the six months ended 30 June 2003		30 June 2003
	Operating income <i>HK\$'000</i>	Profit before tax <i>HK\$'000</i>	Total assets <i>HK\$'000</i> (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)	–	–
	<u>434,489</u>	<u>119,935</u>	<u>5,125,060</u>
Amortisation of intangible asset	–	(13)	–
Negative goodwill and intangible asset	–	–	(91,999)
Deferred tax assets	–	–	33,323
Other unallocated assets	–	–	1,652
	<u>434,489</u>	<u>119,922</u>	<u>5,068,036</u>

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## (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</b> <b>2004</b> <i>HK\$'000</i>	31 December 2003 <i>HK\$'000</i>
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><u>3,314,701</u></b>	<b><u>3,133,461</u></b>

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 OF JCG FINANCE COMPANY, LIMITED (“JCG FINANCE”)

	<b>30 June</b> <b>2004</b> <b>Unadjusted ratio</b>	31 December 2003 Unadjusted ratio
Capital adequacy ratio	<b><u>39.83%</u></b>	<b><u>43.17%</u></b>

	For the six months ended	
	30 June	
	2004	2003
Average liquidity ratio	<u>76.07%</u>	<u>96.80%</u>

The above capital adequacy ratio and average liquidity ratio for the period are computed in accordance with the Third Schedule and the Fourth Schedule of the Banking Ordinance respectively.

The above unadjusted capital adequacy ratio is computed on a consolidated basis (including JCG Securities Limited and Funds Fit Limited). 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 HKMA and has relied on such criteria in considering the materiality of market risk arising from its trading book.

## **INTERIM AND SPECIAL DIVIDENDS**

The Board of Directors has on 17 June 2004 declared an interim dividend of HK\$0.05 (2003: HK\$0.04) per share together with a special dividend of HK\$1.75 (2003: Nil) per share payable on 30 September 2004 to shareholders whose names appear on the register of members of the Company on 22 September 2004.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from 20 September 2004 to 22 September 2004, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend and special dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 17 September 2004.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### *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

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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.

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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 of 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.

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

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**

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 the 2004 Interim 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.

JCG Holdings Limited

## REVIEW BY AUDIT COMMITTEE

The 2004 Interim 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

*As at the date of this announcement, the Board of Directors of the Company comprises Tan Sri Dato' Sri Dr. Teh Hong Piow, Datuk Tay Ah Lek, Mr. Chang Kat Kiam and Mr. Wong Kong Ming as Non-executive Directors, Mr. Tan Yoke Kong and Mr. Lee Huat Oon as Executive Directors, and Dato' Yeoh Chin Kee and Mr. Geh Cheng Hooi, Paul as Independent Non-executive Directors.*

\* *For identification purpose only*

Please also refer to the published version of this announcement in China Daily dated 19 July 2004.