

Notes to Condensed Consolidated Financial Statements

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 of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

The same accounting policies and basis of preparation adopted in the Company’s 2000 audited annual accounts have been applied to the 2001 interim report.

2. Segment Information

The Group’s turnover and contribution to profit from operations before finance costs by principal activities are analysed as follows:

	For the six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Segment turnover		
Taxi trading and related operations	79,785	54,680
Others	1,983	2,934
	81,768	57,614
Segment result		
Taxi trading and related operations	14,468	3,226
Others	(1,194)	(1,220)
	13,274	2,006
Financing and related business	47,325	21,842
	60,599	23,848

Turnover represents the net amounts received and receivable for goods supplied and services rendered, trading activities of taxi cabs and taxi licences, and leasing of taxis in Hong Kong.

Turnover for the period ended 30 June 2000 has been restated to exclude interest income of HK\$71,285,000 from financing business which has been reclassified into interest income to conform with the new definition of the Group’s turnover pursuant to the adoption of SSAP 1 (Revised) “Presentation of Financial Statements”.

Turnover and contribution to profit from operations outside Hong Kong are immaterial.

3. Profit from Operating Activities

Profit from operating activities was determined after charging the following:

	For the six months ended 30 June	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Depreciation	1,127	1,220
Amortisation and write off of commission expenses	10	9,206
Provision for bad and doubtful debts	17,785	42,904
Provision against amount due from an associate	6,700	187

4. Finance Costs

	For the six months ended 30 June	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
The finance costs represent the following:		
Interest on:		
Bank loans and overdrafts	806	7,655
Loans from fellow subsidiaries	24,420	38,086
	25,226	45,741

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 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. Dividends

The Board of Directors has resolved not to pay any interim dividend to the ordinary shareholders for the six months ended 30 June 2001 (2000: Nil). The holders of convertible preference shares are to be paid dividends semi-annually at 5.5% per annum on the notional value of HK\$0.33 per convertible preference share in arrears on daily basis.

7. Earnings/(Loss) Per Share

The calculation of earnings/(loss) per share is based on the net profit/(loss) attributable to shareholders (after payment of convertible preference shares dividends which have been regarded as an expense) for the period of HK\$25,360,000 (2000: Loss of HK\$28,367,000) and 420,000,000 (2000: 420,000,000) ordinary shares in issue throughout the period.

The calculation of diluted earnings per share for the period ended 30 June 2001 is based on the net profit attributable to shareholders for the period of HK\$33,722,000. The weighted average number of ordinary shares used in the calculation is 420,000,000 ordinary shares in issue during the period and the 924,000,000 ordinary shares deemed converted at no consideration from the exercise of all convertible preference shares to ordinary shares during the period. Diluted loss per share for the period ended 30 June 2000 has not been shown as the convertible preference shares outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

8. Loan Instalment Receivables and Loan Receivables

Loan instalment receivables, which represent the amounts receivable from the Group's financing business in Hong Kong, are shown net of unearned interest. Amounts receivable within one year are shown under current assets.

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

The maturity profile of loan instalment receivables and loan receivables 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
Maturing :		
Within one year	55,812	49,071
One year to three years	67,882	85,694
Over three years to five years	88,873	130,008
Over five years	613,773	948,949
	826,340	1,213,722
Less :		
Provision	34,644	44,269
	791,696	1,169,453

9. Trade Receivables

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Current to 90 days	21	77
91 - 180 days	–	47
181 - 360 days	–	15
Over 360 days	635	725
	656	864
Less:		
Provision	635	362
	21	502

The Group allows an average credit period of 90 days to its trade customers.

10. Trade Payables

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Current to 90 days	27	2
91 - 180 days	–	–
181 - 360 days	–	–
Over 360 days	8	8
	35	10

11. Interest-bearing Bank Loans and Other Loans

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Current		
Bank loans:		
Secured	–	15,458
	–	15,458
Non-current		
Loans from a fellow subsidiary:		
Unsecured	350,000	749,414
	350,000	749,414
Bank loans repayable:		
Within one year	–	15,458
Loans from a fellow subsidiary repayable:		
Within one year	–	–
After one year	350,000	749,414

12. Commitment

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
(a) Capital commitments:		
Contracted for, but not provided in respect of purchases of fixed assets	–	–
(b) Annual commitments payable under non-cancellable operating leases in respect of land and buildings expiring in the second to fifth years, inclusive	234	234

13. Contingent Liabilities

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
(a) Guarantees under co-financing arrangements given to:		
Ultimate holding company	770	770
Other co-financing banks	3,562	9,186
	4,332	9,956
(b) Various ex-employees of the restaurants formerly operated by four subsidiaries of the Group 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 wholly-owned 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 by and leased by the said subsidiary to a taxi hirer at the time of the accident. On 22 May 2001, judgment was entered against the taxi hirer as the first defendant. 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.		

14. Related Party Transactions

During the period, the Group had the following transactions with related parties, which were carried out on essentially the same terms and/or at prevailing market rates with other customers or suppliers:

	For the six months ended 30 June	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Commission income received from the ultimate holding company	–	76
Interest and related facility fee paid to fellow subsidiaries for unsecured revolving credit facilities	24,420	38,086
Interest income from associates	–	1,009
Provision for loss on amount due from an associate	6,700	187
Management fee paid to a fellow subsidiary	232	–
Rent paid to a fellow subsidiary	117	–
Rent received from a fellow subsidiary	79	–
Commission income received from a fellow subsidiary for referrals of loans	4,912	67
Commission income received from the ultimate holding company for referrals of loans	503	–
Interest income from a fellow subsidiary	7,939	5,965

15. Management of Risk

(a) Credit Risk

The Group has established policies and systems for the monitoring and control of credit risk. The directors and the senior management of the Company are responsible for the formulation of credit policies and management of credit risk through reviews of regular reports on credit exposures and the level of bad debt provisions.

Winton Financial Limited and Winton Financial (Factoring) Limited, both wholly-owned subsidiaries of the Group, maintain a system of controls on loan assessments and approvals and will continue to pursue a conservative and prudent policy in granting loans.

(b) Market Risk

The Group adopts a conservative view on exposure to market risk related financial instruments. During the period under review, the Group did not trade in any market risk related financial instruments.

16. Comparative Figures

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