

Notes to Financial Statements

31 December 2007

1. Corporate information

The registered office of Winton Holdings (Bermuda) Limited is located at Clarendon House, Church Street, Hamilton HM11, Bermuda.

During the year, the Group's principal activities were the provision of financing for licensed public vehicles such as taxis and public light buses, the provision of personal and short term loans, trading of taxi cabs and taxi licences, and leasing of taxis. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the directors, the ultimate holding company is Public Bank, which is incorporated in Malaysia.

2. Impact of new/revised statements of standard accounting practice ("SSAPs")

The following SSAPs have been adopted for the first time in the preparation of the current year's consolidated financial statements, together with a summary of their major effects where applicable.

• SSAP 9 (Revised)	Events after the Balance Sheet Date
• SSAP 14 (Revised)	Leases
• SSAP 26	Segment Reporting
• SSAP 28	Provisions, Contingent Liabilities and Contingent Assets
• SSAP 29	Intangible Assets
• SSAP 30	Business Combinations
• SSAP 31	Impairment of Assets
• SSAP 32	Consolidated Financial Statements and Accounting for Investments in Subsidiaries

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure but no adjustment. Its principal impact on these financial statements is that a proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet.

SSAP 14 (Revised) prescribes the basis for accounting for finance and operating leases, and the required disclosures in respect thereof. It has made certain amendments to the previous accounting treatments, however these amendments have not had a material effect on the amounts previously recorded in the profit and loss account and balance sheet, therefore no prior year adjustments have been required. The disclosure changes under the SSAP have resulted in changes to the information disclosed for rental receivables and commitments under operating leases, as further detailed in note 31 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment, requiring management to determine whether their predominant risks or returns for the business are based on business segments or geographical segments and to choose one of these bases as the primary reporting format, with the other as the secondary reporting format. The principal impact of the SSAP is the inclusion of additional segment reporting disclosures which are included in note 6 to the financial statements.

2. Impact of new/revised statements of standard accounting practice (“SSAPs”) (continued)

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the disclosure requirements. The principal impact of the SSAP on these financial statements is the requirement to discount the amounts of provisions to their present value at the balance sheet date, where the effect of discounting is material. Provisions are now disclosed as a separate line on the face of the balance sheet and are further detailed in note 26 to the financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements and has had no major impact on these financial statements.

SSAP 30 prescribes the treatment of business combinations, including the determination of the date of acquisition and the fair value of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill on acquisition. The SSAP requires the disclosure of goodwill on future acquisitions in the non-current assets section of the balance sheet, and that such goodwill is amortised to the profit and loss account over its estimated useful life. SSAP 30 has no major impact on these financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairment of assets, together with disclosure requirements. SSAP 31 has had no major impact on these financial statements.

SSAP 32 prescribes the accounting treatment and disclosures in the preparation and presentation of consolidated financial statements, and has had no major impact on these financial statements.

3. Summary of significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic revaluation of investment properties, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been impairments in values, when they are written down to values determined by the directors.

Associates

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for impairment in values.

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3. Summary of significant accounting policies (continued)

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation and impairment.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Long and medium term leasehold land	Over the remaining lease terms
Leasehold buildings	4 % (or over the remaining lease term, if shorter)
Leasehold improvements, furniture, fixtures and equipment	14 - 20 %
Motor vehicles	20 %

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings which are intended to be held on a long term basis for their investment potential, with rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Deferred expenditure

Deferred expenditure represents the unamortised portion of net commission expenses. Commission expenses, paid or payable to dealers for the referral of financing business, are netted off against the related commission receivable from co-financing banks under the Co-Financing Arrangements. The remaining balance is amortised and charged to the profit and loss account over the average lives of the financing transactions of approximately three years, using the straight-line method. Upon early settlement of a financing transaction, the related unamortised balance is charged to the profit and loss account.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Assets subject to operating leases (investment properties) are included under non-current assets in the balance sheet. Lease income and lease payments under operating leases should be recognised as income and as expenses, respectively, in the profit and loss account on a straight line basis over the lease term.

3. Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined as the actual cost for taxi cabs and taxi licences. Net realisable value is based on estimated selling prices less any estimated costs to be incurred on disposal.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas associates are translated to Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the translation reserve.

Retirement benefits scheme

The Group operates a defined contribution retirement benefit scheme for those employees who are eligible to participate in the scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. When an employee leaves the scheme, the Group's mandatory contributions vest fully with the employee.

Long service payments

Provision for long service payments has been made in respect of employees who have been continuously employed by the Group for five years or more and who are eligible for long service payments on termination of their employment in accordance with the Hong Kong Employment Ordinance.

Provisions for doubtful debts

Provisions are made against loan instalment receivables, loan receivables, trade receivables and other receivables as and when they are considered doubtful by the directors. In addition, an amount is set aside as a general provision for doubtful loans and advances. Loan instalment receivables and other receivables are stated in the financial statements net of these provisions.

Impairment

At each balance sheet date an assessment is made whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

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3. Summary of significant accounting policies (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (b) fee and commission income, when earned;
- (c) rental income, on a straight-line basis over the lease terms; and
- (d) interest, commission income and expenses, on the basis as set out under the heading “Financing operations”.

Financing operations

The Group and its co-financing banks jointly provide hire purchase loans under the Co-Financing Arrangements. The Group also provides term loans to its customers. The amounts receivable by the Group in connection with its hire purchase financing activities and term loans are shown in the balance sheet as loan instalment receivables net of unearned interest. Interest income receivable from each hire purchase loan jointly provided by the Group and co-financing banks is recognised using the sum of digits method. The Group's share of interest income on hire purchase loans is calculated after deduction of the interest entitlements of the co-financing banks. Interest income receivable from each term loan is recognised using the reducing balance method.

Commission expenses, after netting off any related commission receivable from co-financing banks under the Co-Financing Arrangements, are amortised and charged to the profit and loss account over the average lives of the financing transactions of approximately three years, using the straight-line basis.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends are approved by the shareholders and declared they are recognised as a liability.

Interim dividends are simultaneously proposed and declared because the Company's memorandum of association and bye-laws grant the directors authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

4. Turnover

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Taxi trading and related operations	163,980	120,887
Others	3,640	4,824
	167,620	125,711

5. Interest income

Included in interest income was HK\$41,000 (2000: Nil) from the ultimate holding company, HK\$12,279,000 (2000: HK\$15,756,000) from fellow subsidiaries and nil (2000: HK\$961,000) from the Group's associates.

The interest income has been arrived at after netting off interest paid to co-financing banks under the co-financing arrangements, as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Other co-financing banks	50	2,452

6. Segment information

In accordance with the Group's internal financial reporting, the Group has determined that business segments are its primary reporting format and geographical segments are its secondary reporting format.

Business segments

The Group's operating businesses are organised and managed separately, according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets:

- Financing and related businesses include the provision of financing for licensed public vehicles such as taxis and public light buses.
- Taxi trading and related operations include trading of taxi cabs and taxi licences, and leasing of taxis.
- Other segments include general trading, automobile repairs, and cargo handling and transportation.

There are no material sales or other transactions between the business segments.

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6. Segment information (continued)

The following tables represent revenue and profit information on each of the above business segments for the years ended 31 December 2001 and 2000, and certain assets and liabilities information regarding business segments at 31 December 2001 and 2000.

	Financing and related businesses		Taxi trading and related operations		Others		Consolidated	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Segment revenue:								
Turnover	—	—	163,980	120,887	3,640	4,824	167,620	125,711
Interest income	123,349	163,622	—	—	—	—	123,349	163,622
Other operating income	—	—	2,775	2,168	4,950	605	7,725	2,773
Total revenue	123,349	163,622	166,755	123,055	8,590	5,429	298,694	292,106
Segment results	79,059	69,442	26,105	25,820	4,744	(1,987)	109,908	93,275
Finance costs							(30,212)	(85,107)
Shares of results of associates							(5,932)	(2,618)
Profit before tax							73,764	5,550
Tax							(737)	(499)
Profit before minority interests							73,027	5,051
Minority interests							10	(175)
Net profit from ordinary activities attributable to shareholders							73,037	4,876
Segment assets	1,211,081	1,705,199	33,148	38,154	38,226	43,913	1,282,455	1,787,266
Interests in associates	—	—	—	—	—	5,932	—	5,932
Total assets	1,211,081	1,705,199	33,148	38,154	38,226	49,845	1,282,455	1,793,198
Segment liabilities	9,321	11,544	4,565	7,973	14,254	9,676	28,140	29,193
Unallocated liabilities							212,808	778,663
Total liabilities							240,948	807,856
Other segment information extracted from the profit and loss account and balance sheet:								
Capital expenditure	—	87	11	1	85	4	96	92
Depreciation	2,015	2,020	3	2	239	268	2,257	2,290
Amortisation and write-off of commission expenses	260	13,128	—	—	—	—	260	13,128
Provision against amount due from an associate	7,339	1,054	—	—	—	—	7,339	1,054
Provisions for bad and doubtful debts	25,324	70,398	—	—	—	—	25,324	70,398

Geographical segment

Over 90% of the Group's revenue, results, assets and capital expenditures are derived from operations carried out in Hong Kong SAR.

7. Profit from operating activities

Profit from operating activities is arrived at

	Group	
	2001 HK\$'000	2000 HK\$'000
after charging:		
Amortisation and write-off of commission expenses	260	13,128
Staff costs:		
Salaries and related costs	7,697	8,800
Pension contributions	276	21
Auditors' remuneration	714	813
Depreciation	2,257	2,290
Provision against an amount due from an associate	7,339	1,054
Provisions for bad and doubtful debts	25,324	70,398
and after crediting:		
Gain on disposal of fixed assets	35	30
Gross rental income less outgoings	3,181	2,567
Surplus on revaluation of investment properties	3,656	—

Salaries and related costs included operating lease rental on land and buildings paid to a fellow subsidiary of HK\$234,000 (2000: HK\$117,000).

8. Finance costs

The finance costs represent the following:

	Group	
	2001 HK\$'000	2000 HK\$'000
Interest expense on:		
Bank loans and overdrafts	1,124	11,746
Loans from fellow subsidiaries wholly repayable within five years	29,088	73,361
	30,212	85,107

9. Directors' remuneration

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive	105	105
Non-executive	140	140
Independent non-executive	140	140
	385	385
Overprovision in prior year	—	(17)
	385	368

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9. Directors' remuneration (continued)

The number of directors whose remuneration fell within the band set out below is as follows:

	Group	
	2001 Number of directors	2000 Number of directors
Nil - HK\$1,000,000	7	7

10. Five highest paid individuals

The five highest paid individuals in 2001 and 2000 did not include any directors. The remuneration of these five (2000: five) highest paid individuals is analysed and fell within the band set out below.

	Group	
	2001 HK\$'000	2000 HK\$'000
Basic salaries, housing, other allowances and benefits in kind	2,965	2,857
Bonuses paid and payable	256	231
Pension scheme contributions	86	—
	3,307	3,088
	2001 Number of individuals	2000 Number of individuals
Nil - HK\$1,000,000	5	5

11. Tax

	Group	
	2001 HK\$'000	2000 HK\$'000
Hong Kong – profits tax	1,737	499
Deferred tax credit (<i>note 27</i>)	(1,000)	—
	737	499

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 year.

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 (2000: Nil).

12. Net profit from ordinary activities attributable to shareholders

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company was HK\$11,442,000 (2000: HK\$15,231,000).

13. Dividends

Convertible preference shares

	2001	2000	2001	2000
	Cents per convertible preference share		HK\$'000	HK\$'000
1st semi-annual	0.9050	0.5917	8,362	5,468
2nd semi-annual	0.9199	0.9050	8,500	8,362
	1.8249	1.4967	16,862	13,830

Subject to the Companies Act 1981 of Bermuda and the bye-laws of the Company, the holders of the convertible preference shares are entitled 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 a daily basis.

Ordinary shares

	2001	2000	2001	2000
	Cents per ordinary share		HK\$'000	HK\$'000
Proposed final dividend	7	—	29,400	—

No interim dividend of the Company was declared for the year (2000: Nil).

During the year, the Group adopted SSAP 9 (Revised) "Events after the Balance Sheet Date", the effect of which on dividends is explained in note 2 to the financial statements.

14. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of earnings/(loss) per share is based on the net profit/(loss) attributable to shareholders (before deduction of proposed final dividend for ordinary shares but after deduction of dividends on convertible preference shares) for the year of HK\$56,175,000 (2000: net loss of HK\$8,954,000) and 420,000,000 (2000: 420,000,000) ordinary shares in issue throughout the year.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the year ended 31 December 2001 is based on the net profit attributable to shareholders for the year of HK\$73,037,000. The weighted average number of ordinary shares used in the calculation is the 420,000,000 ordinary shares in issue during the year and the 924,000,000 ordinary shares deemed converted at no consideration from the exercise of all convertible preference shares to ordinary shares. The diluted loss per share for the year ended 31 December 2000 has not been shown as the convertible preference shares outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

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15. Fixed assets

Group	Leasehold land and buildings HK\$'000	Leasehold improvements, furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:				
At 1 January 2001	63,043	16,140	1,131	80,314
Additions	—	96	—	96
Disposals	—	(848)	—	(848)
Transfer to investment properties	(3,612)	—	—	(3,612)
At 31 December 2001	59,431	15,388	1,131	75,950
Accumulated depreciation:				
At 1 January 2001	9,696	13,489	1,131	24,316
Provided during the year	1,500	757	—	2,257
Disposals	—	(848)	—	(848)
Transfer to investment properties	(1,174)	—	—	(1,174)
At 31 December 2001	10,022	13,398	1,131	24,551
Net book value:				
At 31 December 2001	49,409	1,990	—	51,399
At 31 December 2000	53,347	2,651	—	55,998

Company	Furniture, fixtures and equipment HK\$'000
Cost:	
At 1 January 2001	4,903
Additions during the year	1
At 31 December 2001	4,904
Accumulated depreciation:	
At 1 January 2001	4,895
Provided during the year	6
At 31 December 2001	4,901
Net book value:	
At 31 December 2001	3
At 31 December 2000	8

15. Fixed assets (continued)

The Group's leasehold land and buildings are all situated in Hong Kong and are held under the following lease terms:

	Group 2001 HK\$'000
At cost:	
Medium term leases	3,621
Long term leases	55,810
	59,431

Certain of the above leasehold land and buildings were pledged to secure banking facilities granted to the Group (notes 24 and 25).

16. Investment properties

	Group	
	2001 HK\$'000	2000 HK\$'000
Balance at beginning of year	29,508	29,508
Transfer from land and buildings	2,438	—
Revaluation surplus	3,656	—
Balance at end of year	35,602	29,508

The Group's investment properties are all situated in Hong Kong and are held under the following lease terms:

	Group 2001 HK\$'000
At valuation:	
Medium term leases	8,802
Long term leases	26,800
	35,602

Investment properties with a carrying amount of HK\$31,946,000 were revalued on 31 December 2001 at HK\$35,602,000 by Chung Sen Surveyors Limited, an independent professional valuer at an open market value based on their existing use. A revaluation surplus of HK\$3,656,000 on a portfolio basis, resulting from the above valuation has been credited to the profit and loss account. The revaluation surplus reduces the accumulated revaluation deficit previously charged to the profit and loss account.

The investment properties held by the Group are let under operating leases from which the Group earns rental income. Details of future rental receivables under operating leases are included in note 31 to the financial statements.

Certain of the above investment properties were pledged to secure banking facilities granted to the Group (notes 24 and 25).

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17. Interests in subsidiaries

	2001 HK\$'000	2000 HK\$'000
Unlisted shares	273,984	273,984
Amount due from a subsidiary	264,621	470,174
	538,605	744,158

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the Company's subsidiaries are as follows:

Name	Nominal value of issued/ registered ordinary share capital HK\$	Percentage of equity attributable to the Company		Principal activities
		Directly	Indirectly	
Eastwood Overseas Corporation [#]	US\$1	—	100	Dormant
Eternal Success Company Limited	20	—	100	Property holding
Keytop Investment Limited*	2	—	100	Dormant
Winsure Company, Limited	1,600,000	—	96.9	Dormant
Winton (B.V.I.) Limited	61,773	100	—	Investment and property holding
Winton Financial Limited	4,000,010	—	100	Provision of financing for licensed public vehicles and provision of personal and short term loans
Winton Financial (Factoring) Limited	1,000,000	—	100	Provision of financing for licensed public vehicles
Winton Investment Company (China) Limited	1,000,000	—	100	Investment holding
Winton Motors, Limited	78,000	—	100	Trading of taxi cabs and taxi licences, and leasing of taxis
Winton Motors Trading Company Limited	2	—	100	Trading of taxi cabs and taxi licences, and leasing of taxis

17. Interests in subsidiaries (continued)

Name	Nominal value of issued/ registered ordinary share capital HK\$	Percentage of equity attributable to the Company		Principal activities
		Directly	Indirectly	
Winton Restaurant Limited*	20	—	100	Dormant
Winton Trading Company Limited	20	—	100	Dormant
Wu Shang Mei Winton (China) Investment Company Limited	100	—	90	Investment holding

The sole member of Eastwood Overseas Corporation has resolved to wind-up the company on 18 December 2001.

* Members' voluntary liquidation has commenced on 19 December 2001.

Three dormant subsidiaries of the Group, namely Lion Crown Company Limited, Shuning Shing Limited and Worthy Park Company Limited were dissolved on 1 November 2001.

All subsidiaries are private companies incorporated in Hong Kong except for Eastwood Overseas Corporation and Winton (B.V.I.) Limited, which are incorporated in the British Virgin Islands. All subsidiaries principally operate in Hong Kong.

18. Interests in associates

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets, other than goodwill	—	5,932

Particulars of the Group's associates are as follows:

Name	Business structure	Place of incorporation/ registration and operation	Percentage of equity attributable to the Group		Principal activities
			2001	2000	
ZKW Enterprise (Group) Co., Ltd., Zhuhai Special Economic Zone	Corporate	The People's Republic of China	40	40	Investment holding, general trading and automobile repairs centre
Zhangjiagang Rixing Freight & Storage Co., Ltd.	Corporate	The People's Republic of China	45	45	Cargo handling and transportation

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19. Loan instalment receivables and loan receivables

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

As at 31 December 2001, no loan instalment receivables were pledged to secure banking facilities (2000: HK\$145,000,000) (notes 24 and 25).

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:

	Group	
	2001 HK\$'000	2000 HK\$'000
Advances to customers, maturing:		
Within one year	46,159	49,071
One year to three years	48,342	85,694
Over three years to five years	45,460	130,008
Over five years	376,612	948,949
	516,573	1,213,722
Less:		
Provisions	38,299	44,269
	478,274	1,169,453

The balance was mainly secured by taxi licences and taxi cabs.

20. Inventories

The inventories comprised of taxi licences and taxi cabs amounted to HK\$18,300,000 (2000: HK\$24,937,000).

None of the inventories of the Group were carried at net realisable value as at the balance sheet date (2000: Nil).

At 31 December 2001, no inventories of the Group were pledged as security for bank borrowings (2000: HK\$22,496,000) (notes 24 and 25).

21. Other receivables

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Prepayments, deposits and other receivables	113,851	124,791	327	356
Due from ultimate holding company	5	—	—	—
Due from fellow subsidiaries	171	235	132	196
Due from an associate	—	7,280	—	—
	114,027	132,306	459	552

Other receivables are shown net of provisions.

Included in prepayments, deposits and other receivables were trade receivables of HK\$19,000 (2000: HK\$502,000) after provision thereon of HK\$605,000 (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.

Also included in prepayments, deposit and other receivables were other debtors amounted to HK\$98,505,000 (2000: HK\$109,413,000) which was secured by taxi licences, cash deposits and a property.

The amounts due from fellow subsidiaries comprised of interest receivable of HK\$132,000 (2000: HK\$196,000) in respect of fixed deposits placed with fellow subsidiaries and rental deposits of HK\$39,000 (2000: HK\$39,000) placed with a fellow subsidiary.

The amount due from an associate was unsecured, interest-bearing at the prevailing market rates in Mainland China and is repayable within one year.

22. Cash and cash equivalents

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Cash and balances with banks and other financial institutions	3,325	4,616	64	9
Money at call and short notice	78,990	64,109	5,456	5,286
Placements with bank and financial institution	500,000	300,000	500,000	300,000
	582,315	368,725	505,520	305,295

Money at call and short notice included fixed deposits placed with Public Bank amounted to HK\$22,036,000 (2000: Nil).

Placements with bank and financial institution are fixed deposits placed with fellow subsidiaries, one of which is a bank.

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23. Other payables and accruals

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Accounts payables and other accrued liabilities	26,211	24,736	828	842
Interest payable to a fellow subsidiary	50	678	—	—
Rental deposit received from a fellow subsidiary	26	26	—	—
Management fee payable to a fellow subsidiary	337	—	—	—
Due to a fellow subsidiary	59	35	—	—
	26,683	25,475	828	842

Included in accounts payables and other accrued liabilities were trade payables of HK\$1,000 (2000: HK\$10,000). As the trade payables are immaterial to the Group, the maturity profile thereof is not disclosed.

The amounts due to a fellow subsidiary are unsecured, interest-free and repayable on demand.

24. Interest-bearing bank borrowings, current

	Note	Group	
		2001 HK\$'000	2000 HK\$'000
Current portion of bank loans	25	—	15,458

25. Interest-bearing bank borrowings, non-current

	Group	
	2001 HK\$'000	2000 HK\$'000
Bank loans:		
Secured	—	15,458
Unsecured	200,000	749,414
	200,000	764,872

The unsecured bank loans of HK\$200,000,000 (2000: HK\$749,414,000) were obtained from a fellow subsidiary, which is a bank, unsecured, interest-bearing at Hong Kong prevailing market rates and are repayable after one year.

	Note	Group	
		2001 HK\$'000	2000 HK\$'000
Bank loans repayable:			
Within one year		—	15,458
In the second year		200,000	749,414
		200,000	764,872
Portion classified as current liabilities	24	—	(15,458)
Long term portion		200,000	749,414

25. Interest-bearing bank borrowings, non-current (continued)

Certain of the Group's banking facilities are secured by:

- (i) First legal charges on certain investment properties of the Group situated in Hong Kong with an aggregate carrying amount of approximately HK\$28,760,000 (2000: HK\$29,508,000) (note 16), and
- (ii) First legal charges on certain leasehold land and buildings of the Group with an aggregate carrying amount of approximately HK\$47,979,000 (2000: HK\$52,779,000) (note 15).

As at 31 December 2001, no loan instalment receivables, loan receivables and inventories were pledged to secure the Group's banking facilities (notes 19 and 20).

As at 31 December 2000, certain of the Group's banking facilities were secured by:

- (i) Fixed charges on certain of the loan instalment receivables of the Group of HK\$145,000,000 (note 19), and
- (ii) Fixed charges on certain of the inventories with a carrying amount of HK\$22,496,000 (note 20).

26. Provision for long service payments

	Group 2001 HK\$'000
Balance at beginning of year	6,819
Movement during the year	(2,244)
Balance at end of year	4,575

27. Deferred tax

	Group	
	2001 HK\$'000	2000 HK\$'000
Balance at beginning of year	10,690	10,690
Credit for the year (note 11)	(1,000)	—
Balance at end of year	9,690	10,690

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27. Deferred tax (continued)

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

	Group			
	Provided		Unprovided	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Commission expenses claimed over amount amortised and interest receivable	9,690	10,690	—	—
Unutilised tax losses	—	—	(100,000)	(134,768)
	9,690	10,690	(100,000)	(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 provision has not been made.

28. Share capital

	2001 HK\$'000	2000 HK\$'000
Authorised:		
2,000,000,000 (2000: 2,000,000,000) ordinary shares of HK\$0.10 each	200,000	200,000
924,000,000 (2000: 924,000,000) convertible preference shares of HK\$0.10 each	92,400	92,400
	292,400	292,400
Issued and fully paid:		
420,000,000 (2000: 420,000,000) ordinary shares of HK\$0.10 each	42,000	42,000
924,000,000 (2000: 924,000,000) convertible preference shares of HK\$0.10 each	92,400	92,400
	134,400	134,400

The convertible preference shares are non-voting, redeemable and their holders are entitled to a fixed cumulative preferential dividend at the rate of 5.5% per annum on the notional value of HK\$0.33 of each convertible preference share. The convertible preference shares rank in priority to ordinary shares in the Company as to dividends. The convertible preference shares are convertible into ordinary shares of the Company at the option of the holders at an initial conversion price of HK\$0.33 each (subject to adjustment) at any time after two years from 3 March 2000, the date of issue of the convertible preference shares, and up to the fifth anniversary from the date of their issue or until the date prior to the redemption date, whichever is the earlier. The convertible preference shares will be mandatorily converted into ordinary shares of the Company at the initial conversion price (subject to adjustment) on the maturity date, being the fifth anniversary from 3 March 2000, provided that the condition of mandatory redemption, under which the conversion price is below the par value on the said maturity date, is not applicable at that time.

29. Reserves

Group	Share premium account HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2000	415,859	260,007	(1,992)	(25,537)	648,337
Issue of convertible preference shares	212,520	—	—	—	212,520
Share issue expenses	(1,109)	—	—	—	(1,109)
Preference share dividends 2000	—	—	—	(13,830)	(13,830)
Profit for the year	—	—	—	4,876	4,876
At 31 December 2000 and 1 January 2001	627,270	260,007	(1,992)	(34,491)	850,794
Profit for the year	—	—	—	73,037	73,037
Preference share dividends 2001	—	—	—	(16,862)	(16,862)
Proposed final dividend 2001	—	—	—	(29,400)	(29,400)
At 31 December 2001	627,270	260,007	(1,992)	(7,716)	877,569
Reserves retained by:					
Company and subsidiaries	627,270	260,007	—	29,322	916,599
Associates	—	—	(1,992)	(37,038)	(39,030)
At 31 December 2001	627,270	260,007	(1,992)	(7,716)	877,569
Reserves retained by:					
Company and subsidiaries	627,270	260,007	—	(3,385)	883,892
Associates	—	—	(1,992)	(31,106)	(33,098)
At 31 December 2000	627,270	260,007	(1,992)	(34,491)	850,794

Company	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2000	415,859	247,734	37,841	701,434
Issue of convertible preference shares	212,520	—	—	212,520
Share issue expenses	(1,109)	—	—	(1,109)
Profit for the year	—	—	15,231	15,231
Preference share dividends 2000	—	—	(13,830)	(13,830)
At 31 December 2000 and 1 January 2001	627,270	247,734	39,242	914,246
Profit for the year	—	—	11,442	11,442
Preference share dividends 2001	—	—	(16,862)	(16,862)
Proposed final dividend 2001	—	—	(29,400)	(29,400)
At 31 December 2001	627,270	247,734	4,422	879,426

The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in July 1992 over the nominal value of the Company's shares issued in exchange therefor.

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29. Reserves (continued)

The contributed surplus of the Company represents the excess of the fair values of the shares of the subsidiaries acquired pursuant to the same reorganisation in July 1992, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, a Company may make distributions to its shareholders out of the contributed surplus in certain circumstances.

30. Notes to the consolidated cash flow statement

(a) Reconciliation of profit after finance costs to net cash inflow from operating activities

	Group	
	2001 HK\$'000	2000 HK\$'000
Profit after finance costs	79,696	8,168
Amortisation and write-off of commission expenses	260	13,128
Provisions for bad and doubtful debts	25,324	70,398
Provision against amount due from an associate	7,339	1,054
Recovery of provision for diminution in value of inventories of taxi licences	—	(24)
Depreciation	2,257	2,290
Gain on disposal of fixed assets	(35)	(30)
Surplus on revaluation of investment properties	(3,656)	—
Decrease in provision for long service payments	(2,244)	(101)
(Increase)/decrease in amount due from an associate	(59)	1,956
Decrease in loan instalment receivables	667,035	236,976
Decrease in deferred expenditure	2,015	3,946
Decrease in loan receivables	11,996	16,501
Decrease in inventories	6,640	6,693
Increase in prepayments, deposits and other receivables	(2,236)	(67,732)
Increase in an amount due from the ultimate holding company	(5)	—
Decrease/(increase) in amount due from fellow subsidiaries	64	(235)
Increase in account payables and other accrued liabilities	1,475	3,202
Decrease in interest-bearing bank borrowings	(564,872)	(214,934)
(Decrease)/increase in amount due to fellow subsidiaries and the immediate holding company	(267)	504
Net cash inflow from operating activities	230,727	81,760

(b) Analysis of changes in financing during the year

	Share capital (including share premium) HK\$'000
Balance at 1 January 2000	457,859
Cash inflow/(outflow) from financing activities, net	
Issue of convertible preference shares	304,920
Share issue expenses	(1,109)
Balance at 31 December 2000	761,670
Balance at 31 December 2001	761,670

31. Operating lease arrangements

- (a) The Group leased its investment properties under operating lease arrangements. The term of the leases vary from one to five years.

At 31 December 2001, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Within one year	3,009	2,385
In the second to fifth years, inclusive	2,965	2,413
	5,974	4,798

- (b) The Group entered into a non-cancellable operating lease arrangement with a fellow subsidiary for a lease term of two years.

As at 31 December 2001, the Group had total future minimum lease rental payable under non-cancellable operating lease falling due as follow:

	Group	
	2001 HK\$'000	2000 HK\$'000
Within one year	117	234
In the second to fifth years, inclusive	—	117
	117	351

32. Contingent liabilities

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
(a) Guarantees given to banks to secure credit facilities of subsidiaries	—	—	30,000	599,000
None of the above facilities were utilised at the balance sheet date (2000: Nil).				
(b) Guarantees under Co-Financing Arrangements given to:				
Ultimate holding company	770	770	770	770
Other co-financing banks	898	9,186	—	—
	1,668	9,956	770	770
(c) Letters of undertaking in respect of the surplus sale proceeds of taxi licences and cabs received from banks	2,047	—	—	—

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32. Contingent liabilities (continued)

- (d) Various ex-employees of a restaurant formerly operated by a subsidiary of the Group served summons in July 2000 to the subsidiary seeking to file their respective statement of claims under 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 are required to file their statements of claims individually if they wish to proceed with their claims. So far, the Group is not aware of any statement of claims having been filed. Based on legal advice, any such claims will be defended by the subsidiary.

33. Related party transactions

During the year, the Group had the following transactions with related parties:

	Notes	Group	
		2001 HK\$'000	2000 HK\$'000
Commission income received from the ultimate holding company	(a)	1,646	104
Interest and related facility fee paid to fellow subsidiaries for unsecured revolving credit facilities	(b)	29,088	73,391
Interest income from associates	(c)	—	961
Provision for loss on an amount due from an associate	(d)	7,339	1,054
Charge for management services and IT support paid to a fellow subsidiary	(e)	567	152
Rent paid to a fellow subsidiary	(f)	234	117
Rent received from a fellow subsidiary	(g)	158	79
Commission income received from a fellow subsidiary for referrals of floating rate loans	(h)	11,684	353
Interest income from fellow subsidiaries	(i)	12,279	15,756
Interest income from the ultimate holding company	(j)	41	—

- (a) No commission income (2000: HK\$76,000) was received from Public Bank under the Co-Financing Arrangements. During the year, no new hire purchase loans (2000: Nil) were granted by the Group under the Co-Financing Arrangements with Public Bank. The directors considered that the terms of the Co-Financing Arrangements with Public Bank are essentially the same as those the Group has with other co-financing banks. Details of these transactions are set out under the heading "Connected transactions" in the Report of the Directors.

The commission income of HK\$1,646,000 (2000: HK\$28,000) received from referrals of floating rate hire purchase loans to Public Bank was determined based on market practice.

- (b) The unsecured revolving loan facilities for an aggregate amount of HK\$800,000,000 (2000: HK\$800,000,000) granted by Public Bank (L) Ltd to a subsidiary of the Company were utilised to the extent of HK\$749,414,000 during the year (2000: HK\$799,414,000), and to HK\$200,000,000 as at 31 December 2001 (2000: HK\$749,414,000). The unsecured revolving loan facility amounting to HK\$30,000,000 granted by JCG Finance to the Company was not utilised during the year (2000: HK\$5,000,000), and has lapsed upon its maturity on 13 April 2001. The interest rates charged on the loan facilities from Public Bank (L) Ltd and JCG Finance were based on prevailing market rates.

33. Related party transactions (continued)

- (c) The interest income from associates arose from loans granted to the associates, further details of which are disclosed in note 18 and note 21 to the financial statements.
- (d) The amount related to a provision for estimated losses on an amount due from an associate, the recoverability of which is doubtful. Accordingly, full provision has been made during the year.
- (e) The charge for management services and IT support were related to the support services provided by JCG Finance which was charged on actual cost basis. In the year 2000, the charge was made for IT services only.
- (f) The rental expense was paid to JCG Finance for leasing a property to the Group as staff quarter, for a period of two years at a monthly rental of HK\$19,500, commencing from 3 July 2000.
- (g) The rental income was derived from leasing a property to JCG Finance as its storeroom, for a period of two years at a monthly rental of HK\$13,179, commencing from 1 July 2000.
- (h) The commission income received from referrals of floating rate hire purchase loans to JCG Finance was determined based on market practice.
- (i) The interest income was received from fixed deposits placed with Public Bank (L) Ltd and JCG Finance at the then prevailing market rates.
- (j) The interest income was received from fixed deposit placed with Public Bank at the then prevailing market rates.

34. Comparative figures

As explained in note 2 to the financial statements, due to the adoption of new SSAPs during the current year, the presentation of the profit and loss account, the balance sheets 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. The changes made are explained in the other notes to the financial statements.

35. Approval of the financial statements

The financial statements were approved by the board of directors on 16 January 2002.