

1. CORPORATE INFORMATION

The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM 11, 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.

The Company issued an announcement on 3 December 2002 concerning the proposed privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act 1981 of Bermuda. A scheme document detailing the Group's privatisation scheme was issued on 13 January 2003. The Court Meeting and Special General Meeting have been scheduled on 27 February 2003 for purpose of considering, and if thought fit, passing a resolution to approve the proposal.

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 recently-issued and revised SSAPs have been adopted for the first time in the preparation of the current year's consolidated financial statements:

- SSAP 1 (Revised) : Presentation of financial statements
- SSAP 11 (Revised) : Foreign currency translation
- SSAP 15 (Revised) : Cash flow statements
- SSAP 33 : Discontinuing operations
- SSAP 34 : Employee benefits

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of these SSAPs which have had a significant effect on the financial statements are summarised as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated summary statement of changes in equity is now presented on page 17 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions in the financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries are translated at weighted average exchange rates for the year, rather than translated at the applicable rates of exchange ruling at the balance sheet date as was previously required. Further details about the impact of this SSAP are described in the accounting policy for foreign currencies below.

SSAP 15 (Revised) prescribes the format for the cash flow statement. The principal impact of the revision of this SSAP is that cash flows are now presented under three headings, that is, cash flows from operating, investing and financing activities, rather than the five headings previously required. The format of the cash flow statement set out on page 18 of the financial statements and the notes thereto have been revised in accordance with the new requirements. The cash flows of the Company's overseas subsidiaries are now translated using the exchange rates at the dates of the cash flows or, if applicable, at the weighted average exchange rates, whereas before, they were translated at the applicable rates of exchange ruling at the balance sheet date. Further details about the impact of this change are described in the accounting policy for foreign currencies as set out in note 3.

2. IMPACT OF NEW/REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) (Continued)

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits. Additional disclosures are now required in respect of the Company’s share option scheme, as detailed in note 27. These disclosures are similar to those required by the Listing Rules and which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

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 2002. 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 whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company’s interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, 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 impairment losses.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or carrying amount less accumulated depreciation and any impairment losses. 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.

Impairment of assets

An assessment is made at each balance sheet date of 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 asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents consists of cash at bank and in hand, net of outstanding bank overdrafts and short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

For the purpose of balance sheet classification, cash and cash equivalents comprise cash at bank and in hand including short term deposits and assets similar in nature to cash, which are not restricted as to use.

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.

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, loan receivables and other receivables are stated in the financial statements net of these provisions.

Co-financing operations

The Group and its co-financing banks jointly provide hire purchase loans under the Co-financing Arrangements. The amounts receivable by the Group in connection with its hire purchase financing activities 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.

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.

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 consolidated profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated to Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated to Hong Kong dollars at the weighted average rates for the year. The balance sheets of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

In previous years, the profit and loss accounts and the cash flows of overseas subsidiaries were translated to Hong Kong dollars at the exchange rates at the balance sheet date. The change in the treatment of such items in the current year has, however, had no significant effect on these financial statements.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the scheme. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Share option scheme

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled or which lapse prior to their exercise date are deleted from the register of outstanding options and have no impact on the profit and loss account or balance sheet.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event of that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of probable future long service payments based on the best estimate of the probable future outflow of resources which has been earned by the employees from their service to the Group to the balance sheet date.

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 from:

- (a) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable, and on the basis set out under the heading "Co-financing operations";
- (b) 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;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

- (c) fee and commission income, when earned;
- (d) rental income, on a straight-line basis over the lease terms; and
- (e) commission income and expenses, on the basis as set out under the heading "Co-financing operations".

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 bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

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	
	2002 HK\$'000	2001 HK\$'000
Taxi trading and related operations	211,778	163,980
Others	3,650	3,640
	215,428	167,620

5. INTEREST INCOME

Included in interest income was HK\$3,138,000 (2001: HK\$41,000) from the ultimate holding company, and HK\$3,266,000 (2001: HK\$12,279,000) from fellow subsidiaries.

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.

a) By 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 segment includes general trading, property investment and automobile repairs.

Notes to Financial Statements

6. SEGMENT INFORMATION (Continued)

a) By business segments (Continued)

The following tables represent revenue and profit information on each of the above business segments for the years ended 31 December 2002 and 2001, and certain assets and liabilities information regarding business segments at 31 December 2002 and 2001.

	Financing and related businesses		Taxi trading and related operations		Others		Elimination		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment revenue										
Turnover	-	-	211,778	163,980	3,650	3,640	-	-	215,428	167,620
Interest income	42,168	123,349	-	-	-	-	-	-	42,168	123,349
Other operating income	1,736	-	455	2,775	591	4,950	-	-	2,782	7,725
Intersegment transactions	209	-	-	-	-	-	(209)	-	-	-
Total revenue	44,113	123,349	212,233	166,755	4,241	8,590	(209)	-	260,378	298,694
Segment results	24,862	79,059	10,126	26,105	451	4,744	-	-	35,439	109,908
Finance costs									(1,389)	(30,212)
Gain on disposal of an associate									1,565	-
Share of results of associates									-	(5,932)
Profit before tax									35,615	73,764
Tax									-	(737)
Profit before minority interests									35,615	73,027
Minority interests									9	10
Net profit from ordinary activities attributable to shareholders									35,624	73,037

6. SEGMENT INFORMATION (Continued)

a) By business segments (Continued)

	Financing and related businesses		Taxi trading and related operations		Others		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment assets	986,079	1,211,081	41,465	33,148	35,985	38,226	1,063,529	1,282,455
Interest in an associate	-	-	-	-	-	-	-	-
	986,079	1,211,081	41,465	33,148	35,985	38,226	1,063,529	1,282,455
Unallocated assets							3,954	-
Total assets							1,067,483	1,282,455
Segment liabilities	7,306	9,321	4,832	4,565	10,814	14,254	22,952	28,140
Unallocated liabilities							11,313	212,808
Total liabilities							34,265	240,948
Other segment information extracted from the profit and loss account and balance sheet								
Capital expenditure	-	-	-	11	4	85	4	96
Depreciation	2,015	2,015	4	3	116	239	2,135	2,257
Amortisation and write off of commission expenses	178	260	-	-	-	-	178	260
Deficit/(surplus) on revaluation of investment properties	-	-	-	-	2,642	(3,656)	2,642	(3,656)
Provision against amount due from an associate	-	7,339	-	-	-	-	-	7,339
Provisions for bad and doubtful debts	7,763	25,324	-	-	-	-	7,763	25,324

b) By geographical segments

Over 90% of the Group's revenue, results, assets and capital expenditures are derived from operations carried out in Hong Kong. Accordingly, further geographical segment information is not presented in the financial statements.

7. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is arrived at

	Group	
	2002 HK\$'000	2001 HK\$'000
after charging:		
Amortisation and write off of commission expenses	178	260
Staff costs:		
Salaries and related costs	8,498	7,697
Pension contributions	297	276
Auditors' remuneration	635	714
Depreciation	2,135	2,257
Provision against amount due from an associate	–	7,339
Provisions for bad and doubtful debts	7,763	25,324
Deficit on revaluation of investment properties	2,642	–
Loss on redemption of convertible preference shares	463	–
and after crediting:		
Gain on disposal of fixed assets	15	35
Gross rental income less outgoings	3,541	3,181
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\$213,000 (2001: HK\$234,000).

8. FINANCE COSTS

The finance costs represent the followings:

	Group	
	2002 HK\$'000	2001 HK\$'000
Interest expense on:		
Bank loans and overdrafts	–	392
Loans from fellow subsidiaries wholly repayable within five years	1,084	29,088
Others	305	732
	1,389	30,212

9. DIRECTORS' REMUNERATION

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Fees:		
Executive	105	105
Non-executive	105	140
Independent non-executive	140	140
	350	385

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

	2002 Number of directors	2001 Number of directors
Nil – HK\$1,000,000	8	7

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals in 2002 and 2001 did not include any directors. The remuneration of these five (2001: five) highest paid individuals is analysed and fell within the band set out below:

	Group	
	2002 HK\$'000	2001 HK\$'000
Basic salaries, housing, other allowances and benefits in kind	2,940	2,965
Bonuses paid and payable	455	256
Pension scheme contributions	86	86
	3,481	3,307
	2002 Number of individuals	2001 Number of individuals
Nil – HK\$1,000,000	5	5

11. TAX

	Group	
	2002 HK\$'000	2001 HK\$'000
Hong Kong – profits tax	60	1,737
Deferred tax income (note 26)	(60)	(1,000)
	–	737

Hong Kong profits tax has been provided at the rate of 16% (2001: 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 (2001: 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\$37,709,000 (2001: HK\$11,442,000).

13. DIVIDENDS

(a) Convertible preference shares

	2002	2001	2002	2001
	Cents per convertible preference share		HK\$'000	HK\$'000
1st semi-annual	0.8901	0.9050	7,800	8,362
2nd semi-annual	0.9249	0.9199	8,066	8,500
	1.8150	1.8249	15,866	16,862

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.

(b) Ordinary shares

	2002	2001	2002	2001
	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 (2001: Nil).

14. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of earnings per share is based on the net profit attributable to shareholders (after deduction of dividends on convertible preference shares) for the year of HK\$19,758,000 (2001: HK\$56,175,000) and the weighted average number of 449,401,704 (2001: 420,000,000) ordinary shares in issue throughout the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2002 is based on the net profit attributable to shareholders for the year of HK\$35,624,000 (2001: HK\$73,037,000). The weighted average number of ordinary shares used in the calculation is the weighted average number of 449,401,704 (2001: 420,000,000) ordinary shares in issue during the year and the weighted average number of 892,686,645 (2001: 924,000,000) ordinary shares deemed converted at no consideration from the exercise of all convertible preference shares to ordinary shares during the year.

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 2002	59,431	15,388	1,131	75,950
Additions	-	4	-	4
Disposals	-	(1,155)	(1,131)	(2,286)
At 31 December 2002	59,431	14,237	-	73,668
Accumulated depreciation:				
At 1 January 2002	10,022	13,398	1,131	24,551
Provided during the year	1,415	720	-	2,135
Disposals	-	(1,155)	(1,131)	(2,286)
At 31 December 2002	11,437	12,963	-	24,400
Net book value:				
At 31 December 2002	47,994	1,274	-	49,268
At 31 December 2001	49,409	1,990	-	51,399

15. FIXED ASSETS (Continued)

Company	Furniture, fixtures and equipment HK\$'000
Cost:	
At 1 January and 31 December 2002	4,904
Accumulated depreciation:	
At 1 January 2002	4,901
Provided during the year	1
At 31 December 2002	4,902
Net book value:	
At 31 December 2002	2
At 31 December 2001	3

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

	Group 2002 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 (note 24).

16. INVESTMENT PROPERTIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Balance at beginning of year	35,602	29,508
Transfer from land and buildings	–	2,438
Revaluation (deficit)/surplus	(2,642)	3,656
Balance at end of year	32,960	35,602

16. INVESTMENT PROPERTIES (Continued)

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

	Group
	2002
	HK\$'000
At valuation:	
Medium term leases	9,960
Long term leases	23,000
	32,960

Investment properties with a carrying amount of HK\$35,602,000 were revalued on 16 December 2002 at HK\$32,960,000 by Chung Sen Surveyors Limited, an independent professional valuer at an open market value based on their existing use. A revaluation deficit of HK\$2,642,000 on a portfolio basis, resulting from the above valuation, has been 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 30.

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

17. INTERESTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares	273,984	273,984
Amount due from a subsidiary	746,850	264,621
	1,020,834	538,605

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

17. INTERESTS IN SUBSIDIARIES (Continued)

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
		Direct	Indirect	
Eternal Success Company Limited	20	–	100	Property holding
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
Winton Trading Company Limited	20	–	100	Trading of taxi cabs and taxi licences, and leasing of taxis
Wu Shang Mei Winton (China) Investment Company Limited	100	–	90	Dormant

Except for Winton (B.V.I.) Limited, which is incorporated in the British Virgin Islands, all other subsidiaries are incorporated in Hong Kong. All subsidiaries are private companies and principally operate in Hong Kong.

18. INTEREST IN AN ASSOCIATE

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net assets, other than goodwill	–	–

Particulars of the Group's associate are as follows:

Name	Business structure	Place of registration and operation	Percentage of equity attributable to the Group		Principal activities
			2002	2001	
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

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. The balance was mainly secured by taxi licences and taxi cabs. Amounts receivable within one year are shown under current assets.

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	
	2002 HK\$'000	2001 HK\$'000
Maturing:		
Within one year	30,532	46,159
Over one to three years	37,941	48,342
Over three to five years	35,254	45,460
Over five years	310,851	376,612
	414,578	516,573
Less:		
Provisions	33,617	38,299
	380,961	478,274

20. INVENTORIES

Included in the inventories were taxi licences and taxi cabs amounting to HK\$37,674,000 (2001: HK\$18,300,000).

None of the inventories of the Group were carried at net realisable value as at the balance sheet date (2001: Nil).

21. OTHER RECEIVABLES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Other debtors, deposits and prepayments	93,024	113,851	360	327
Due from ultimate holding company	223	5	–	–
Due from fellow subsidiaries	39	171	–	132
	93,286	114,027	360	459

Other receivables are shown net of provisions.

Included in other debtors, deposits and prepayments were HK\$89,147,000 (2001: HK\$98,505,000), which were secured by taxi licences, cash and a property. Full provision has been made for the unsecured portion.

Also, included in other debtors, deposits and prepayments were trade receivables of HK\$6,000 (2001: HK\$19,000). As the trade receivables were immaterial to the Group, the maturity profile thereof has not been disclosed. The Group allows an average credit of 90 days to its trade debtors.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Cash and balances with banks and other financial institutions	1,918	3,325	18	64
Money at call and short notice	344,094	78,990	15,130	5,456
Placements with banks and financial institutions	123,368	500,000	–	500,000
	469,380	582,315	15,148	505,520

Money at call and short notice includes fixed deposits placed with the ultimate holding company amounted to HK\$161,587,000 (2001: HK\$22,036,000).

Placements with banks and financial institutions are deposits placed with the ultimate holding company (2001: deposits amounted to HK\$500,000,000 are placed with fellow subsidiaries, one of which is a bank).

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Accounts payables and other accrued liabilities	19,627	26,211	862	828
Interest payable to a fellow subsidiary	–	50	–	–
Rental deposit received from a fellow subsidiary	34	26	–	–
Management fee payable to a fellow subsidiary	308	337	–	–
Due to a fellow subsidiary	55	59	–	–
	20,024	26,683	862	828

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

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

24. INTEREST-BEARING BANK BORROWINGS

	Group	
	2002 HK\$'000	2001 HK\$'000
Unsecured loans from a fellow subsidiary repayable in the second year	–	200,000

The bank loans obtained in the prior year were from a fellow subsidiary which is a bank, and were unsecured, interest-bearing at Hong Kong prevailing market rates and were repayable after one year.

One of the Group's banking facilities is secured by a first legal charge on:

- (i) Certain leasehold land and buildings of the Group with an aggregate carrying amount of approximately HK\$45,618,000 (2001: HK\$47,979,000) (note 15), and
- (ii) Certain investment properties of the Group situated in Hong Kong with an aggregate carrying amount of HK\$23,000,000 (2001: HK\$28,760,000) (note 16).

25. PROVISION FOR LONG SERVICE PAYMENTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Balance at beginning of year	4,575	6,819
Movement during the year	36	(2,244)
Balance at end of year	4,611	4,575

26. DEFERRED TAX

	Group	
	2002 HK\$'000	2001 HK\$'000
Balance at beginning of year	9,690	10,690
Income for the year (note 11)	(60)	(1,000)
Balance at end of year	9,630	9,690

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	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Commission expenses claimed over amount amortised and interest receivable	9,630	9,690	-	-
Unutilised tax losses	-	-	(38,053)	(100,000)
	9,630	9,690	(38,053)	(100,000)

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.

27. SHARE CAPITAL

	2002 HK\$'000	2001 HK\$'000
Authorised:		
2,000,000,000 (2001: 2,000,000,000) ordinary shares of HK\$0.10 each	200,000	200,000
924,000,000 (2001: 924,000,000) convertible preference shares of HK\$0.10 each	92,400	92,400
	292,400	292,400
Issued and fully paid:		
471,863,228 (2001: 420,000,000) ordinary shares of HK\$0.10 each	47,186	42,000
870,225,121 (2001: 924,000,000) convertible preference shares of HK\$0.10 each	87,023	92,400
	134,209	134,400

27. SHARE CAPITAL (Continued)

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.

During the year, the Company issued a total of 51,863,228 ordinary shares in response to the exercise of conversion rights by the holders of convertible preference shares. The conversion price of HK\$0.33 per convertible preference share had been received by the Company upon issuance of the convertible preference shares in 2000.

On 31 December 2002, the Company exercised its right to redeem 1,911,651 convertible preference shares at a redemption price of HK\$0.5724 per convertible preference share. All convertible preference shares redeemed were cancelled on 31 December 2002.

Share option scheme

The particulars in relation to each share option scheme of the Company or any of its subsidiaries that are required under Rules 17.07 and 17.09 of Chapter 17 of the Listing Rules and SSAP 34 are disclosed below.

(a) Share option scheme of the Company

Since the adoption of the share option scheme of the Company on 28 February 2002, no options to subscribe for ordinary shares in the Company have been granted to any eligible participants, including directors or their respective associates or the employees of the Group.

(b) Summary of the share option schemes of the Company

	1992 Share Option Scheme	2002 Share Option Scheme
Purpose	To attract, retain and motivate high-calibre employees	To attract, retain and motivate talented eligible participants (as defined in the scheme) to strive for long term performance targets of the Group
Participants	Full-time employees (including executive directors) of the Company or any subsidiary	<p>(i) any employee (whether full-time or part-time), executive directors, non-executive directors and independent non-executive directors of the Company or any subsidiary or any associated company or controlling shareholder as having contributed or may contribute to the development and growth of any member of the Group;</p> <p>(ii) any discretionary trust whose discretionary objects include one or more persons belonging to the aforesaid classes of participants;</p>

27. SHARE CAPITAL (Continued)

(b) Summary of the share option schemes of the Company (Continued)

	1992 Share Option Scheme	2002 Share Option Scheme
		<p>(iii) a company beneficially owned by one or more persons belonging to the aforesaid classes of participants; and</p> <p>(iv) any business partner, agent, consultant, representative or any customer of any member of the Group or controlling shareholder; or supplier of goods or services, or any person or entity that provides advisory, consultancy, professional or other services to any member of the Group or controlling shareholder from time to time determined by the board as having contributed or may contribute to the development and growth of any member of the Group.</p>
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of the annual report	Not applicable	42,000,000 ordinary shares and 8.9% of the issued share capital
Maximum entitlement of each participant	Shall not exceed 25% of the total number of ordinary shares in respect of the options that may be granted in accordance with the scheme	Shall not exceed 1% of the ordinary shares of the Company in issue in the 12-month period up to and including the date of grant
Period within which the securities must be taken up under an option	No option will be exercisable earlier than 1 year or later than 10 years after its date of grant	No option will be exercisable earlier than 2 years or later than 5 years after the commencement date on which the option was granted and accepted
Minimum period for which an option must be held before it can be exercised	1 year from the date of grant	50% must be held for a minimum period of 2 years and 50% must be held for a minimum period of 3 years after the commencement date on which the option was granted and accepted

27. SHARE CAPITAL (Continued)*(b) Summary of the share option schemes of the Company (Continued)*

	1992 Share Option Scheme	2002 Share Option Scheme
Amount payable on acceptance	HK\$1.00	HK\$1.00
Period within which payments/calls/loans must be made/repaid	Not applicable	Not applicable
Basis of determining the exercise price	Determined by the directors at their discretion based on the higher of (i) 80% of the average closing price of the ordinary shares on the Stock Exchange on the five trading days immediately preceding the offer date, and (ii) the nominal value of an ordinary share	Determined by the directors at their discretion but shall not be less than the higher of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a business day; (ii) the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheet for five business days immediately preceding the offer date; and (iii) the nominal value of an ordinary share
The remaining life of the scheme	The scheme has been terminated on 28 February 2002	The scheme remains in force until 27 February 2012

Since there were no share options granted under each of the share option schemes, no value of share options granted has been disclosed accordingly.

28. 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 2001	627,270	260,007	(1,992)	(34,491)	850,794
Profit for the year	–	–	–	73,037	73,037
Convertible preference share dividends 2001	–	–	–	(16,862)	(16,862)
Proposed final dividend 2001	–	–	–	(29,400)	(29,400)
At 31 December 2001 and 1 January 2002	627,270	260,007	(1,992)	(7,716)	877,569
Profit for the year	–	–	–	35,624	35,624
Gain on disposal of an associate	–	–	1,992	–	1,992
Redemption of convertible preference shares	(439)	–	–	–	(439)
Convertible preference share dividends 2002	–	–	–	(15,866)	(15,866)
Proposed final dividend 2002	–	–	–	–	–
At 31 December 2002	626,831	260,007	–	12,042	898,880
Reserves retained by:					
Company and subsidiaries	626,831	260,007	–	16,655	903,493
Associate	–	–	–	(4,613)	(4,613)
At 31 December 2002	626,831	260,007	–	12,042	898,880
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

28. RESERVES (Continued)

Company	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2001	627,270	247,734	39,242	914,246
Profit for the year	–	–	11,442	11,442
Convertible preference share dividends 2001	–	–	(16,862)	(16,862)
Proposed final dividend 2001	–	–	(29,400)	(29,400)
At 31 December 2001 and 1 January 2002	627,270	247,734	4,422	879,426
Profit for the year	–	–	37,709	37,709
Redemption of convertible preference shares	(439)	–	–	(439)
Convertible preference share dividends 2002	–	–	(15,866)	(15,866)
Proposed final dividend 2002	–	–	–	–
At 31 December 2002	626,831	247,734	26,265	900,830

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.

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.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit after finance costs to net cash (used in)/flows from operating activities is set out below:

	Group	
	2002 HK\$'000	2001 HK\$'000
Profit after finance costs	34,050	79,696
Loss on redemption of convertible preference shares	463	–
Amortisation and write off of commission expenses	178	260
Provisions for bad and doubtful debts	7,763	25,324
Provision against amount due from an associate	–	7,339
Depreciation	2,135	2,257
Gain on disposal of fixed assets	(15)	(35)
Deficit/(surplus) on revaluation of investment properties	2,642	(3,656)
Increase/(decrease) in provision for long service payments	36	(2,244)
Decrease in deferred expenditure	79	2,015
Operating profit before working capital changes	47,331	110,956
Increase in amount due from an associate	–	(59)
Decrease in loan instalment receivables	79,228	667,035
Decrease in loan receivables	10,817	11,996
(Increase)/decrease in inventories	(19,374)	6,640
Decrease/(increase) in prepayments, deposits, and other receivables	20,332	(2,236)
Increase in amount due from the ultimate holding company	(218)	(5)
Decrease in amount due from fellow subsidiaries	132	64
(Decrease)/increase in account payables and other accrued liabilities	(6,584)	1,475
Decrease in interest-bearing bank borrowings	(200,000)	(564,872)
Decrease in amount due to fellow subsidiaries and the immediate holding company	(75)	(267)
Cash generated from operations	(68,411)	230,727
Hong Kong profit tax paid	(1,733)	(214)
Net cash (used in)/flows from operating activities	(70,144)	230,513

30. OPERATING LEASE ARRANGEMENTS

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

At 31 December 2002, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	3,063	3,009
In the second to fifth years, inclusive	2,204	2,965
	5,267	5,974

- (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 2002, the Group had total future minimum lease rental payable under non-cancellable operating lease falling due as follow:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	192	117
In the second to fifth years, inclusive	96	-
	288	117

31. CONTINGENT LIABILITIES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
(a) Guarantees given to bank to secure credit facilities of the subsidiaries	-	-	30,000	30,000

None of the above facilities was utilised at the balance sheet date (2001: Nil).

(b) Guarantees under the Co-financing Arrangements given to:				
Ultimate holding company	770	770	770	770
Other co-financing banks	-	898	-	-
	770	1,668	770	770
Letters of undertaking in respect of the surplus sale proceeds of taxi licences and cabs received from a bank	2,047	2,047	-	-
	2,817	3,715	770	770

32. POST BALANCE SHEET EVENT

The Company issued an announcement on 3 December 2002 concerning the proposed privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act 1981 of Bermuda. A scheme document detailing the Group's privatisation scheme was issued on 13 January 2003. The Court Meeting and Special General Meeting have been scheduled on 27 February 2003 for purpose of considering, and if thought fit, passing a resolution to approve the proposal.

33. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with related parties during the year, which were carried out on essentially the same terms and/or at prevailing market rates with other customers or suppliers:

	Notes	Group	
		2002 HK\$'000	2001 HK\$'000
Commission income received from the ultimate holding company for referrals of taxi financing loans	(a)	9,596	1,646
Commission income received from a fellow subsidiary for referrals of taxi financing loans	(b)	6,938	11,684
Interest paid to a fellow subsidiary for unsecured revolving credit facilities	(c)	1,084	29,088
Management fee paid to a fellow subsidiary	(d)	621	567
Rent paid to a fellow subsidiary	(e)	213	234
Rental income received from a fellow subsidiary	(f)	158	158
Interest income from the ultimate holding company	(g)	3,138	41
Interest income from fellow subsidiaries	(h)	3,266	12,279
Provision against amount due from an associate	(i)	–	7,339

- (a) The commission income received from referrals of taxi financing loans to Public Bank was determined based on market practice.
- (b) The commission income received from referrals of floating rate taxi financing loans to JCG Finance was determined based on market practice.
- (c) The unsecured revolving loan facilities for an aggregate amount of HK\$800,000,000 (2001: HK\$800,000,000) granted by PBL to a subsidiary of the Company were utilised to the extent of HK\$200,000,000 during the year and were fully repaid before the maturity dates (2001: up to HK\$749,414,000 and as at 31 December 2001: HK\$200,000,000). In the prior year, the unsecured revolving loan facility amounting to HK\$30,000,000 granted by JCG Finance to the Company has lapsed upon its maturity on 13 April 2001. The interest rates charged on the loan facilities from PBL and JCG Finance were based on prevailing market rates.
- (d) 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.
- (e) The rental expense was paid to JCG Finance for leasing a property to the Group as staff quarters. The related lease agreement was renewed on 3 July 2002 for a period of two years at a monthly rental of HK\$16,000.

33. RELATED PARTY TRANSACTIONS (Continued)

- (f) The rental income was derived from leasing a property to JCG Finance as its storeroom. The related lease agreement was renewed on 1 July 2002 for a period of two years at a monthly rental of HK\$13,179.
- (g) The interest income was received from fixed deposits placed with Public Bank at the then prevailing market rate.
- (h) The interest income was received from fixed deposits placed with PBL and JCG Finance at the then prevailing market rates.
- (i) In the prior year, full provision was made for estimated losses on an amount due from an associate, the recoverability of which is doubtful.

34. COMPARATIVE FIGURES

As further explained in note 2, due to the adoption of new/revised SSAPs 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.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 January 2003.