

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 deposit taking, personal and commercial lending, the operation of a credit card business, mortgage financing, stockbroking, the letting of investment properties, the provision of finance to purchasers of taxis and public light buses, the trading of taxi cabs and taxi licences, and the leasing of taxis. There were no significant changes in the nature of the Group's principal activities during the year.

On 3 December 2002, the Company's subsidiary, Winton, proposed a privatisation scheme via a scheme of arrangement and withdrawal of its listing. The privatisation scheme had not been completed in 2002 and has been scheduled for approval by its independent shareholders in February 2003.

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 the 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 26 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 27 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(s), as detailed in note 31. 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, certain fixed assets and long term investments, 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.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. In the prior year, upon SSAP 30 becoming effective, the Group adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves.

On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of positive goodwill is reviewed annually and written down for impairment where it is considered necessary.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or carrying amount, except for certain leasehold land and buildings which were transferred from investment properties, which are stated at their valuation at the date of transfer, 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 term leasehold land	Over the remaining lease terms
Leasehold buildings	2% – 4%
Leasehold improvements:	
Own leasehold buildings	20% – 33 ¹ / ₃ %
Others	Over the shorter of the remaining lease terms or seven years
Furniture, fixtures and equipment	10% – 25%
Motor vehicles	20% – 25%

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 any 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Intangible assets

Intangible assets, representing eligibility rights to trade on or through the Stock Exchange ("Stock Exchange Trading Right"), are stated at cost less accumulated amortisation and impairment losses.

Amortisation is calculated on the straight-line basis to write off the cost of the trading right over its estimated useful life of ten years.

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, if any. 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.

Long term investments

Long term investments are non-trading investments in listed equity securities intended to be held on a long term basis. The securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis.

The gains or losses arising from changes in the fair values of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account for the period in which the impairment arises. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value is credited to the profit and loss account to the extent of the amount previously charged.

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 consist 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 bad and doubtful debts

Provisions are made against loans and advances in accordance with guidelines on the loan classification system issued by the HKMA. Loans and advances are stated in the financial statements net of these provisions.

In general, specific provisions are made for loans when their condition has worsened and they are reclassified as special mention, substandard, doubtful and loss loans, and the market value of the collateral security is insufficient to cover the loan balance. A specific provision of 20% to 100% is applied to the unsecured portion of the loans classified as special mention, substandard, doubtful and loss. The unsecured portion of a loan is the difference between the loan balance outstanding and the net realisable value of the collateral security. A specific provision of 2% is applied to secured floating rate taxi financing loans classified as special mention.

A general provision of 2% is applied to secured loans classified as pass; and a general provision of 3% to 30% is applied to unsecured loans classified as pass, special mention and substandard. In addition, an amount is set aside as a general provision for doubtful loans and advances. Provisions are also made against other debtors as and when they are considered doubtful by the directors.

Write off of bad debts

The write off of bad debts is generally based on the overdue status of loans and advances. Monthly write offs are made against loans and advances taking into account the overdue status and other qualitative factors such as bankruptcy petitions of borrowers.

Repossessed assets

Repossessed assets refer to the assets repossessed by the Group when secured loans have been overdue and the borrower has been unable to settle the payments in arrears after the Group has exhausted all collection efforts. Action is taken to repossess the assets by the Group via court proceedings or voluntary actions for release in full or in part the obligations of the borrowers. Specific provisions are made for the shortfall in the net realisable value of repossessed assets against the outstanding loans, if any. If the proceeds from subsequent sales of the assets still cannot fully cover the outstanding loans, the amount of outstanding loans net of sales proceeds will be written off and the specific provision that has been made will be reversed accordingly.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 exchange rates for the year. The balance sheets of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

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 under operating leases 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 benefit schemes

The Group operates defined contribution retirement benefit schemes for those employees who are eligible to participate. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions are made based on a percentage of the participating employees' relevant monthly income from the Group, and are charged to the profit and loss account as they become payable in accordance with the rules of the respective schemes. When an employee leaves the scheme prior to his/her interest in the Group's employer non-mandatory contributions vesting with the employee, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. When the employee leaves the scheme, the Group's mandatory contributions vest fully with the employee.

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 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.

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) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable, and on the basis as set out under the heading “Co-financing operations”. Interest income arising from loans and advances ceases to accrue when there are more than two and three overdue instalments for unsecured and secured loans, respectively;
- (b) commission, brokerage, handling fees and fee income, when services are rendered;
- (c) 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;
- (d) rental income, on a straight-line basis over the lease terms; and
- (e) dividends, when the shareholders' right to receive payment has been established.

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. 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:

- Personal and commercial lending comprises the granting of personal loans, overdrafts, property mortgage loans, hire purchase loans to individuals and small to medium sized manufacturing companies, credit card services and the provision of finance to purchasers of licensed public vehicles such as taxis and public light buses.
- Taxi trading and related operations comprise the taxi trading and the leasing of taxis. Other businesses mainly comprise securities dealing and the letting of investment properties.

The Group's inter-segment transactions were related to dealer's commission from referrals of taxi financing loans, and these transactions were entered into at similar terms and conditions as those contracted with third parties at the dates of the transactions.

4. SEGMENT INFORMATION (Continued)

(a) By business segments (Continued)

The following tables represent revenue and profit information for these segments for the years ended 31 December 2002 and 2001, and certain asset and liability information regarding business segments as at 31 December 2002 and 2001.

	Personal and commercial lending		Taxi trading and related operations, and other businesses		Eliminated on consolidation		Total	Total
	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								
Net interest income	771,160	838,777	-	322	-	-	771,160	839,099
Other operating income:								
Fees and commission income	147,627	170,364	6,558	12,508	-	-	154,185	182,872
Others	4,761	1,031	9,012	15,871	-	-	13,773	16,902
Inter-segment transactions	-	-	7,147	11,684	(7,147)	(11,684)	-	-
	923,548	1,010,172	22,717	40,385	(7,147)	(11,684)	939,118	1,038,873
Segment results	255,206	482,706	6,496	29,888	-	-	261,702	512,594
Gain on disposal of an associate							3,557	-
Share of results of associates							-	(5,932)
Profit before tax							265,259	506,662
Tax							(28,438)	(61,967)
Minority interests							517	(15,863)
Net profit from ordinary activities attributable to shareholders							237,338	428,832
Segment assets	5,210,030	4,681,439	125,754	133,967	-	-	5,335,784	4,815,406
Interest in an associate	-	-	-	-	-	-	-	-
Total segment assets	5,210,030	4,681,439	125,754	133,967	-	-	5,335,784	4,815,406
Unallocated assets							15,827	-
Total assets							5,351,611	4,815,406
Segment liabilities	1,799,693	1,259,901	46,146	67,903	-	-	1,845,839	1,327,804
Unallocated liabilities							13,631	15,522
Total liabilities							1,859,470	1,343,326
Other segment information extracted from the profit and loss account and balance sheet								
Capital expenditure	2,502	22,172	4	96	-	-	2,506	22,268
Amortisation of intangible assets	-	-	25	25	-	-	25	25
Amortisation and write off of commission expenses	3,287	347	-	-	-	-	3,287	347
Depreciation	9,739	9,459	120	242	-	-	9,859	9,701
Deficit / (surplus) on revaluation of investment properties	-	-	4,022	(2,806)	-	-	4,022	(2,806)
Provisions for bad and doubtful debts	477,213	312,770	-	-	-	-	477,213	312,770
(Write back)/provisions for other doubtful debts	(2,068)	13,176	-	-	-	-	(2,068)	13,176
Provision against amount due from an associate	-	7,339	-	-	-	-	-	7,339

4. SEGMENT INFORMATION (Continued)

(b) By geographical segments

Over 90% of the Group's operating income, results, assets, liabilities, off-balance sheet commitments and exposures are derived from operations carried out in Hong Kong. Accordingly, further geographical segment information is not presented in the financial statements.

5. OTHER OPERATING INCOME

	Group	
	2002 HK\$'000	2001 HK\$'000
Fees and commission income	154,185	182,872
Gross rental income	5,283	5,238
Less: Outgoing expenses	(446)	(450)
Net rental income	4,837	4,788
Loss on disposal of fixed assets	(137)	(67)
Net profit from trading activities	5,573	4,753
Dividends from listed investments	266	266
Others	3,234	7,162
	167,958	199,774

Net profit from trading activities has been arrived at after netting off the cost of inventories sold in the amount of HK\$194,726,000 (2001: HK\$135,168,000).

6. OPERATING EXPENSES

	Group	
	2002 HK\$'000	2001 HK\$'000
Staff costs:		
Salaries and other staff costs	83,739	94,251
Pension contributions	6,449	6,421
Less: Forfeited contributions	(245)	(766)
Net pension contributions	6,204	5,655
	89,943	99,906
Other operating expenses:		
Operating lease rentals on land and buildings	20,697	20,417
Depreciation	9,859	9,701
Amortisation of intangible assets	25	25
Auditors' remuneration	1,742	1,848
Deficit / (surplus) on revaluation of investment properties	4,022	(2,806)
Amortisation and write off of commission expenses	3,287	347
Provision against amount due from an associate	-	7,339
(Write back) / provisions for other doubtful debts	(2,068)	13,176
Administrative and general expenses	15,775	15,892
Others	56,921	47,664
	200,203	213,509

As at 31 December 2002, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2001: Nil). The current year credits arose in respect of staff who left the scheme during the year.

7. LOANS AND ADVANCES

(a) Advances to customers

	Group	
	2002 HK\$'000	2001 HK\$'000
Loans and advances to customers	3,466,228	3,675,770
Provisions for bad and doubtful debts (note 8):		
Specific	(123,151)	(128,687)
General	(208,271)	(205,622)
	(331,422)	(334,309)
	3,134,806	3,341,461

The maturity profile of loans and advances to customers at the balance sheet date is analysed by the remaining periods to their contractual maturity dates as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Repayable:		
On demand	51,352	41,685
Three months or less	680,971	686,973
One year or less but over three months	1,249,638	1,355,133
Five years or less but over one year	649,102	769,939
After five years	631,789	621,537
Undated	203,376	200,503
	3,466,228	3,675,770

7. LOANS AND ADVANCES (Continued)

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

	Group			
	2002		2001	
	Gross amount HK\$'000	Percentage of total loans and advances	Gross amount HK\$'000	Percentage of total loans and advances
Gross advances to customers which have been overdue for over three months on which interest has ceased to be accrued:				
Six months or less but over three months	96,980	2.8	57,375	1.6
One year or less but over six months	43,241	1.2	35,821	1.0
Over one year	56,133	1.6	134,212	3.6
	196,354	5.6	227,408	6.2
Taxi financing loans terminated and fully provided for	6,141	0.2	24,230	0.6
	202,495	5.8	251,638	6.8
Gross advances to customers which have been overdue for three months or less, but interest on which has ceased to be accrued	33,624	1.0	28,436	0.8
Total non-performing loans and advances	236,119	6.8	280,074	7.6
Specific provisions	(123,151)		(128,687)	
	112,968		151,387	

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

Under the Co-financing Arrangements, the taxi financing loans are jointly financed by the co-financing banks and the Winton Group. The Winton Group is entitled to receive certain monthly instalments (hereinafter referred to as "Winton Portion") and the co-financing banks are entitled to receive certain monthly instalments (hereinafter referred to as the "Bank Portion"). The Bank Portion, other than those co-financed by JCG Finance, does not form part of the Group's gross advances to customers. Accordingly, taxi financing loans with overdue instalments payable to the co-financing banks were not included in the Group's overdue advances. As at 31 December 2002 and at 31 December 2001, there were no taxi financing loans which were overdue for more than three months under the Group's gross advances to customers.

(c) *Rescheduled loans*

	Group			
	2002		2001	
	Gross amount HK\$'000	Percentage of total loans and advances	Gross amount HK\$'000	Percentage of total loans and advances
Gross advances to customers which have been rescheduled	62,968	1.8	-	-

8. PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	Specific HK\$'000	Group General HK\$'000	Total HK\$'000
At 1 January 2001	134,533	204,328	338,861
Recoveries	9,898	–	9,898
Charge for the year	321,374	1,294	322,668
Amounts released	(9,898)	–	(9,898)
<i>Net charge to the profit and loss account</i>	311,476	1,294	312,770
Amounts written off	(327,220)	–	(327,220)
At 31 December 2001 and 1 January 2002	128,687	205,622	334,309
Recoveries	12,091	–	12,091
Charge for the year	486,655	2,649	489,304
Amounts released	(12,091)	–	(12,091)
<i>Net charge to the profit and loss account</i>	474,564	2,649	477,213
Amounts written off	(492,191)	–	(492,191)
At 31 December 2002	123,151	208,271	331,422

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	175	175
Non-executive	385	455
Independent non-executive	280	280
	840	910
Other emoluments:		
Basic salaries, housing, other allowances and benefits in kind	1,647	1,646
Bonuses paid and payable	631	684
Pension scheme contributions	182	182
	3,300	3,422

In addition to the directors' remuneration disclosed above, one director occupies a property of the Group rent free. The estimated monetary value of the accommodation so provided to the director and not charged to the profit and loss account is HK\$540,000 (2001: HK\$720,000).

9. DIRECTORS' REMUNERATION (Continued)

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	5	5
HK\$1,000,001 – HK\$1,500,000	2	2
	7	7

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included two (2001: two) directors, details of whose remuneration are set out in note 9 above. The details of the remuneration of remaining three (2001: three) non-directors, highest paid individuals are as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Basic salaries, housing, other allowances and benefits in kind	1,799	1,935
Bonuses paid and payable	503	468
Pension scheme contributions	206	177
	2,508	2,580

The number of the non-director and highest paid individuals whose remuneration fell within the bands set out below is as follows:

	2002 Number of individuals	2001 Number of individuals
Nil – HK\$1,000,000	2	2
HK\$1,000,001 – HK\$1,500,000	1	1
	3	3

11. TAX

		Group	
	Notes	2002 HK\$'000	2001 HK\$'000
Hong Kong – profits tax		29,503	62,967
Attributable share of estimated profits tax losses arising from investment in partnership, net of impairment of HK\$14,194,000	17	(5,006)	–
Deferred tax expense / (income)	30	3,941	(1,000)
		28,438	61,967

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\$247,930,000 (2001: HK\$1,213,192,000).

13. DIVIDENDS

	2002 Cents per ordinary share	2001	2002 HK\$'000	2001 HK\$'000
Interim	4.5	8.5	32,005	60,097
Proposed final	13.5	23.5	95,547	166,162
	18.0	32.0	127,552	226,259

14. EARNINGS PER SHARE*(a) Basic earnings per share*

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$237,338,000 (2001: HK\$428,832,000) and the weighted average number of 707,661,541 (2001: 707,052,900) ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2002 and 31 December 2001 has not been shown as the convertible preference shares of Winton outstanding during the year had an anti-dilutive effect on basic earnings per share, and the exercise of share options under the Company's share option scheme had nil dilutive effect on basic earnings per share.

15. CASH AND SHORT TERM PLACEMENTS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Cash and balances with banks and other financial institutions	76,608	79,775	177	67
Money at call and short notice	1,368,004	443,722	648,275	55,565
	1,444,612	523,497	648,452	55,632

The Group's money at call and short notice includes fixed deposits placed with the ultimate holding company of HK\$161,587,000 (2001: HK\$22,036,000).

In the prior year, certain of the Company's money at call and short notice, amounting to HK\$46,769,000, was deposited with JCG Finance.

16. PLACEMENTS WITH BANKS AND FINANCIAL INSTITUTIONS MATURING BETWEEN ONE AND TWELVE MONTHS

The Group's placements with banks, amounting to HK\$5,000,000 (2001: HK\$5,000,000), were pledged to a bank for credit facilities of HK\$5,000,000 (2001: HK\$5,000,000) granted to the Group (note 27). The credit facilities were not utilised during the year (2001: Nil).

Certain of the Company's placements with financial institutions, amounting to HK\$479,706,000 (2001: HK\$1,031,121,000), were placed with JCG Finance.

The Group's placements with banks, amounting to HK\$123,368,000 (2001: Nil), were placed with the ultimate holding company.

In the prior year, the Group's placements with banks, amounting to HK\$300,000,000, were placed with a fellow subsidiary of the Company.

17. OTHER ASSETS

	Notes	Group		Company	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Inventories	18	37,674	18,300	–	–
Interest receivable		89,291	119,336	1,432	1,974
Tax recoverable		15,827	–	–	–
Other debtors, deposits and prepayments		130,388	129,690	145	145
Deferred expenditure		5,984	257	–	–
Intangible assets	23	177	202	–	–
		279,341	267,785	1,577	2,119

Other assets 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.

Included in other debtors, deposits and prepayments was an investment in a partnership, net of impairment, of HK\$28,051,000 (2001: Nil).

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.

Included in interest receivable was HK\$223,000 (2001: HK\$5,000) for deposits placed with the ultimate holding company.

18. 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).

19. LONG TERM INVESTMENT

	Group	
	2002 HK\$'000	2001 HK\$'000
At beginning of year	9,540	14,410
Movement in market value	(1,651)	(4,870)
Listed equity investment in Hong Kong, at market value	7,889	9,540

Long term investment represented 805,000 ordinary shares of HK\$1.00 each in Hong Kong Exchanges and Clearing Limited.

20. INVESTMENT PROPERTIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Balance at beginning of year	73,602	68,358
Transfer (to) / from land and buildings	(9,500)	2,438
Revaluation (deficit) / surplus	(4,022)	2,806
Balance at end of year	60,080	73,602

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	37,080
Long term leases	23,000
	60,080

Investment properties with a carrying amount of HK\$64,102,000 were revalued on 16 December 2002 at HK\$60,080,000 by Chung Sen Surveyors Limited, an independent professional valuer, on an open market value based on their existing use. A revaluation deficit of HK\$4,022,000 on a portfolio basis, resulting from the above valuation, has been debited 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 annual rental receivables under operating leases are included in note 34.

Certain of the above investment properties were pledged to secure banking facilities granted to the Group at the balance sheet date (note 27).

21. INTERESTS IN SUBSIDIARIES

	Company	
	2002 HK\$'000	2001 HK\$'000
Shares at cost:		
Listed:		
Hong Kong	584,366	572,212
Unlisted:	1,056,851	1,056,851
	1,641,217	1,629,063
Market value of listed shares	210,388	122,850

Notes to Financial Statements

21. 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	
JCG Finance Company, Limited	258,800,000	100	–	Deposit-taking and finance
Funds Fit Limited	10,100,000	–	100	Investment holding
JCG Securities Limited	10,000,000	–	100	Stock and share broking
JCG Nominees Limited	10,000	–	100	Nominee services
Winton Holdings (Bermuda) Limited	47,186,323 ⁽¹⁾	70.8	–	Investment holding
Eternal Success Company Limited	20	–	70.8	Property holding
Winsure Company, Limited	1,600,000	–	68.6	Dormant
Winton (B.V.I.) Limited	61,773	–	70.8	Investment and property holding
Winton Financial Limited	4,000,010	–	70.8	Provision of financing for licensed public vehicles and provision of personal and short term loans
Winton Financial (Factoring) Limited	1,000,000	–	70.8	Provision of financing for licensed public vehicles
Winton Investment Company (China) Limited	1,000,000	–	70.8	Investment holding
Winton Motors, Limited	78,000	–	70.8	Trading of taxi cabs and taxi licences, and leasing of taxis
Winton Motors Trading Company Limited	2	–	70.8	Trading of taxi cabs and taxi licences, and leasing of taxis
Winton Trading Company Limited	20	–	70.8	Trading of taxi cabs and taxi licences, and leasing of taxis
Wu Shang Mei Winton (China) Investment Company Limited	100	–	63.7	Dormant

Note:

(1) Exclusive of convertible preference shares of HK\$87,022,512.

21. INTERESTS IN SUBSIDIARIES (Continued)

Except for Winton, which is incorporated in Bermuda, and 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 except Winton and principally operate in Hong Kong.

22. 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 operations	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	28.3	30	Investment holding, general trading and automobile repairs centre

23. INTANGIBLE ASSETS

	Group	
	2002 HK\$'000	2001 HK\$'000
Cost:		
At beginning and end of year	252	252
Accumulated amortisation:		
At beginning of year	50	25
Provided during the year	25	25
Balance at end of year	75	50
Net book value at end of year	177	202

24. 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 or carrying amount:				
At 1 January 2002	311,790	74,394	2,642	388,826
Additions	–	2,381	125	2,506
Transfer from investment properties	9,500	–	–	9,500
Disposals	–	(1,638)	(21)	(1,659)
At 31 December 2002	321,290	75,137	2,746	399,173
Accumulated depreciation:				
At 1 January 2002	27,617	64,805	1,883	94,305
Provided during the year	4,805	4,759	295	9,859
Disposals	–	(1,485)	(21)	(1,506)
At 31 December 2002	32,422	68,079	2,157	102,658
Net book value:				
At 31 December 2002	288,868	7,058	589	296,515
At 31 December 2001	284,173	9,589	759	294,521

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

	Group 2002 HK\$'000
At cost:	
Medium term leases	108,839
Long term leases	212,451
	321,290

Certain of the above leasehold land and buildings were pledged to secure banking facilities granted to the Group (note 27).

25. LOANS TO DIRECTORS AND OFFICERS

Loans to directors and officers granted by JCG Finance, a deposit taking company, and disclosed pursuant to Section 161B(4C) of the Companies Ordinance are as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Aggregate amount of principal and interest outstanding at end of year	2,317	3,556
Maximum aggregate amount of principal and interest outstanding during the year	3,556	3,926

26. CUSTOMER DEPOSITS

The Group's maturity profile of customer deposits 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
Repayable:		
On demand	6,420	9,243
Three months or less	1,340,982	829,852
One year or less but over three months	330,239	194,451
Five years or less but over one year	96,695	–
	1,774,336	1,033,546

All the customer deposits were time deposits repayable at maturity dates.

27. 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 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.

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

- (i) A placement with a bank amounting to HK\$5,000,000 (2001: HK\$5,000,000) (note 16). The facility had not been utilised during the year;
- (ii) A first legal charge on 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 24); and
- (iii) A first legal charge on 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 20).

28. OTHER LIABILITIES

	Notes	Group		Company	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Creditors, accruals and interest payable		66,854	89,639	438	446
Amount due to the ultimate holding company		38	44	–	–
Tax payable		–	5,832	169	169
Provision for long service payments	29	4,611	4,575	–	–
Deferred tax	30	13,631	9,690	–	–
		85,134	109,780	607	615

28. OTHER LIABILITIES (Continued)

In the prior year, included in creditors, accruals and interest payable was interest payable of HK\$50,000 for a long term loan from a fellow subsidiary.

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

29. 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

30. DEFERRED TAX

	Group	
	2002 HK\$'000	2001 HK\$'000
Balance at beginning of year	9,690	10,690
Expense / (income) for the year (note 11)	3,941	(1,000)
Balance at end of year	13,631	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:

	Provided		Unprovided	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Commission expenses claimed over amount amortised and interest receivable	12,830	9,690	-	-
Tax benefit arising from investment in partnership	801	-	-	-
Unutilised tax losses	-	-	(38,053)	(100,000)
	13,631	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 a provision has not been made.

31. SHARE CAPITAL

	2002 HK\$'000	2001 HK\$'000
Ordinary shares		
Authorised:		
1,000,000,000 (2001: 1,000,000,000) ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
707,758,412 (2001: 707,074,412) ordinary shares of HK\$0.10 each	70,776	70,707

Share option schemes

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

(a) JCG Old Scheme

	Tan Yoke Kong Director	Lee Huat Oon Director	Employees working under "continuous contracts" other than the directors
Outstanding options at beginning of the year	150,000	136,000	20,738,000
No. of options granted during the year	–	–	–
No. of options exercised during the year	150,000	136,000	398,000
No. of options cancelled during the year	–	–	306,000
No. of options lapsed during the year	–	–	20,034,000
Outstanding options at end of the year	–	–	–
Date of grant	20.6.1997	20.6.1997	20.6.1997
Vesting period	20.6.1997 to 4.7.1999	20.6.1997 to 4.7.1999	20.6.1997 to 4.7.1999
Exercisable period	50% : 5.7.1999 to 4.7.2002 50% : 5.7.2000 to 4.7.2002	50% : 5.7.1999 to 4.7.2002 50% : 5.7.2000 to 4.7.2002	50% : 5.7.1999 to 4.7.2002 50% : 5.7.2000 to 4.7.2002
Exercise price	HK\$4.77	HK\$4.77	HK\$4.77
Weighted average closing price of ordinary shares immediately before dates of exercise	HK\$5.20	HK\$5.20	HK\$5.17

31. SHARE CAPITAL (Continued)

(b) JCG New Scheme

During the year, no options to subscribe for ordinary shares in the Company have been granted to any eligible participants, including directors or their respective associates or employees of the Group, its holding company or any of its subsidiaries and associates under the JCG New Scheme.

(c) Share option schemes of Winton

Winton's old share option scheme which was adopted on 24 July 1992 ("Winton Old Scheme") was terminated and replaced by a new share option scheme at the annual general meeting held on 28 February 2002 ("Winton New Scheme"). During the year, no options to subscribe for ordinary shares in Winton had/have been granted to any eligible participants, including directors or their respective associates or employees of Winton or any of its holding companies, subsidiaries and associates, either under the Winton Old Scheme or the Winton New Scheme.

(d) Summary of each share option scheme under the Group

	(1) JCG Old Scheme	(2) JCG New Scheme
Purpose	To attract, retain and motivate high-calibre employees.	To attract, retain and motivate talented eligible participants.
Participants	Full-time employees (including full-time executive directors) of the Company or any subsidiary.	Eligible participants include: <ul style="list-style-type: none"> (i) any employee and directors of the Company or any subsidiary or any associate or controlling shareholder; (ii) any discretionary trust whose discretionary objects include person(s) belonging to the aforesaid participants; (iii) a company beneficially owned by person(s) belonging to the aforesaid participants; and (iv) any business partner, agent, consultant, representative, customer or supplier of any member of the Group or controlling shareholder determined by the Board of Directors as having contributed or may contribute to the development and growth of the Group.
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	70,775,841 ordinary shares and 10.0% of the issued share capital.

31. SHARE CAPITAL (Continued)

(d) Summary of each share option scheme under the Group (Continued)

	(1) JCG Old Scheme	(2) JCG New Scheme
Maximum entitlement of each participant	<p>(i) The aggregate exercise price of ordinary shares shall not exceed 10 times of his/her current gross basic annual salary; and</p> <p>(ii) The maximum number of ordinary shares 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.</p>	The maximum number of ordinary shares shall not exceed 1% of the issued ordinary share capital of the Company in issue in any 12-month period.
Period within which the ordinary shares must be taken up under an option	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.	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	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.	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.
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	<p>Determined by the directors at their discretion based on the higher of:</p> <p>(i) 80% of the average closing prices of the ordinary shares on the Stock Exchange on the 5 trading days immediately preceding the offer date; and</p> <p>(ii) the nominal value of an ordinary share.</p>	<p>Determined by the directors at their discretion based on the higher of:</p> <p>(i) the closing price of the ordinary shares on the Stock Exchange at the offer date;</p> <p>(ii) the average closing price of the ordinary shares on the Stock Exchange for 5 business days immediately preceding the offer date; and</p> <p>(iii) the nominal value of an ordinary share.</p>
The remaining life of the scheme	The scheme was terminated on 28 February 2002.	The scheme remains in force until 27 February 2012.

31. SHARE CAPITAL (Continued)

(d) Summary of each share option scheme under the Group (Continued)

	(3) Winton Old Scheme	(4) Winton New Scheme
Purpose	To attract, retain and motivate high-calibre employees.	To attract, retain and motivate talented eligible participants.
Participants	Full-time employees (including executive directors) of Winton or any subsidiary.	Eligible participants include: <ul style="list-style-type: none"> (i) any employee and directors of Winton or any subsidiary or any associate or controlling shareholder; (ii) any discretionary trust whose discretionary objects include person(s) belonging to the aforesaid participants; (iii) a company beneficially owned by person(s) belonging to the aforesaid participants; and (iv) any business partner, agent, consultant, representative, customer or supplier of any member of the Winton Group or controlling shareholder determined by Winton's Board of Directors as having contributed or may contribute to the development and growth of the Winton Group.
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of annual report	Not applicable	42,000,000 ordinary shares and 8.9% of the issued share capital.
Maximum entitlement of each participant	The maximum number of ordinary shares 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.	The maximum number of ordinary shares shall not exceed 1% of the issued ordinary share capital of Winton in issue in any 12-month period.

31. SHARE CAPITAL (Continued)*(d) Summary of each share option scheme under the Group (Continued)*

	(3) Winton Old Scheme	(4) Winton New Scheme
Period within which the ordinary shares 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 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.
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 Winton's 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 5 trading days immediately preceding the offer date; and (ii) the nominal value of an ordinary share.	Determined by the Winton's directors at their discretion based on the higher of: (i) the closing price of the ordinary shares on the Stock Exchange at the offer date; (ii) the average closing price of the ordinary shares on the Stock Exchange for 5 business days immediately preceding the offer date; and (iii) the nominal value of an ordinary share.
The remaining life of the scheme	The scheme was 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 of the Group during the year, therefore, no value of share options granted has been disclosed accordingly.

Notes to Financial Statements

32. RESERVES

Group	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Long term investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2001	1,206,157	829	96,116	85,567	428	14,147	1,428,311	2,831,555
Premium arising on share options exercised	243	-	-	-	-	-	-	243
Movement in the market value (note 19)	-	-	-	-	-	(4,870)	-	(4,870)
Interim dividend for 2001 (note 13)	-	-	-	-	-	-	(60,097)	(60,097)
Profit for the year	-	-	-	-	-	-	428,832	428,832
Proposed final dividend for 2001 (note 13)	-	-	-	-	-	-	(166,162)	(166,162)
At 31 December 2001 and 1 January 2002	1,206,400	829	96,116	85,567	428	9,277	1,630,884	3,029,501
Premium arising on share options exercised	3,193	-	-	-	-	-	-	3,193
Movement in the market value (note 19)	-	-	-	-	-	(1,651)	-	(1,651)
Loss on diluted shareholding of a subsidiary, net of gain on redemption of minority interests	-	-	-	(30,534)	-	-	-	(30,534)
Interim dividend for 2002 (note 13)	-	-	-	-	-	-	(32,005)	(32,005)
Profit for the year	-	-	-	-	-	-	237,338	237,338
Proposed final dividend for 2002 (note 13)	-	-	-	-	-	-	(95,547)	(95,547)
At 31 December 2002	1,209,593	829	96,116	55,033	428	7,626	1,740,670	3,110,295
Reserves retained by:								
Company and subsidiaries	1,209,593	829	96,116	55,033	-	7,626	1,740,670	3,109,867
Associates	-	-	-	-	428	-	-	428
At 31 December 2002	1,209,593	829	96,116	55,033	428	7,626	1,740,670	3,110,295
Company and subsidiaries	1,206,400	829	96,116	85,567	-	9,277	1,651,839	3,050,028
Associates	-	-	-	-	428	-	(20,955)	(20,527)
At 31 December 2001	1,206,400	829	96,116	85,567	428	9,277	1,630,884	3,029,501

32. RESERVES (Continued)

Company	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Long term investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2001	1,206,157	829	194,524	-	-	-	91,765	1,493,275
Premium arising on share options exercised	243	-	-	-	-	-	-	243
Interim dividend for 2001 (note 13)	-	-	-	-	-	-	(60,097)	(60,097)
Profit for the year	-	-	-	-	-	-	1,213,192	1,213,192
Proposed final dividend for 2001 (note 13)	-	-	-	-	-	-	(166,162)	(166,162)
At 31 December 2001 and 1 January 2002	1,206,400	829	194,524	-	-	-	1,078,698	2,480,451
Premium arising on share options exercised	3,193	-	-	-	-	-	-	3,193
Interim dividend for 2002 (note 13)	-	-	-	-	-	-	(32,005)	(32,005)
Profit for the year	-	-	-	-	-	-	247,930	247,930
Proposed final dividend for 2002 (note 13)	-	-	-	-	-	-	(95,547)	(95,547)
At 31 December 2002	1,209,593	829	194,524	-	-	-	1,199,076	2,604,022

The contributed surplus of the Group represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in September 1991 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 value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in September 1991 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.

Included in the contributed surplus and capital reserve of the Group as at 31 December 2002 were positive goodwill of HK\$98,406,000 (2001: HK\$98,406,000) and negative goodwill of HK\$55,033,000 (2001: HK\$85,567,000), respectively, which arose from acquisitions of subsidiaries in prior years. The reduction in the capital reserve during the year arose due to the temporary dilution in interests in Winton Group as further explained below.

The privatisation scheme of Winton via a scheme of arrangement and withdrawal of its listing, which was proposed on 3 December 2002, had not been completed in 2002. The privatisation scheme has been scheduled for approval by its independent shareholders in February 2003. As a result, a net loss of HK\$30,534,000 arising from the temporary dilution of the Group's shareholding in Winton Group together with any gains arising on completion of the said privatisation scheme will be accounted for as negative goodwill in the first half of 2003.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before tax to net cash flows from operating activities is set out below:

	Group	
	2002 HK\$'000	2001 HK\$'000
Profit before tax	265,259	506,662
Depreciation	9,859	9,701
Loss on disposal of fixed assets	137	67
Loss on purchase of additional interests in a subsidiary	462	–
Decrease in provisions for bad and doubtful debts	(2,887)	(4,552)
Dividends from listed investments	(266)	(266)
Amortisation of intangible assets	25	25
Amortisation and write off of commission expenses	3,287	347
Provision against amount due from an associate	–	7,339
Gain on disposal of an associate	(3,557)	–
Share of results of associates	–	5,932
Deficit / (surplus) on revaluation of investment properties	4,022	(2,806)
Decrease in other debtors, deposits, prepayments and interest receivable	29,347	199,693
Decrease in creditors, accruals and interest payable	(22,785)	(15,455)
Increase / (decrease) in provision for long service payments	36	(2,244)
Increase in amount due from an associate	–	(59)
Decrease in amount due to the ultimate holding company	(6)	–
(Increase) / decrease in inventories	(19,374)	6,640
(Increase) / decrease in deferred expenditure	(9,014)	1,928
Decrease in interest-bearing bank borrowings	(200,000)	(564,872)
Hong Kong profits tax paid	(46,156)	(90,235)
Net cash from trading activities	8,389	57,845
Increase / (decrease) in customer deposits	740,790	(285,272)
Decrease in loans and advances	209,542	436,076
Net cash flows from operating activities	958,721	208,649

34. OPERATING LEASE ARRANGEMENTS

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

As 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	4,431	4,337
In the second to fifth years, inclusive	2,907	3,300
	7,338	7,637

34. OPERATING LEASE ARRANGEMENTS (Continued)

- (b) The Group entered into non-cancellable operating lease arrangements with landlords, and the terms of the leases range from one to five years.

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	16,493	17,519
In the second to fifth years, inclusive	10,214	9,004
	26,707	26,523

35. COMMITMENTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Capital commitments:		
Contracted for, but not provided in the financial statements:		
Purchases of fixed assets	–	–
Others	125	113
	125	113

The Company had no material outstanding commitments at the balance sheet date (2001: Nil).

36. UNDRAWN LOAN FACILITIES

The undrawn loan facilities related to customers of JCG Finance.

	Group			
	2002		2001	
	Contractual amount HK\$'000	Risk weighted amount HK\$'000	Contractual amount HK\$'000	Risk weighted amount HK\$'000
With an original maturity of under one year or which are unconditionally cancellable	29,112	–	36,130	–

Undrawn loan facilities of HK\$20,000,000 (2001: HK\$20,000,000) were granted to JCG Securities Limited.

During the year, no derivative activities were transacted (2001: Nil).

37. CONTINGENT LIABILITIES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guarantees under the Co-financing Arrangements given to:				
Ultimate holding company	770	770	–	–
Other co-financing banks	–	898	–	–
	770	1,668	–	–
Letter of undertaking in respect of the surplus sale proceeds of taxi licences and cabs received from banks	2,047	2,047	–	–
	2,817	3,715	–	–

38. 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
Interest paid to a fellow subsidiary for unsecured revolving credit facilities	(b)	1,084	29,088
Interest income from a fellow subsidiary	(b)	1,435	12,214
Interest income from the ultimate holding company	(c)	3,138	41
Rental income received from the ultimate holding company	(d)	762	836
Management fees received from the ultimate holding company	(e)	198	229
Provision against amount due from an associate	(f)	–	7,339

(a) The commission income of HK\$9,596,000 (2001: HK\$1,646,000) received from referrals of floating rate taxi financing 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 (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). The interest rates charged on the loan facilities were based on prevailing market rates (note 27).

In the prior year, the Group's placements with banks, amounting to HK\$300,000,000, were placed with a fellow subsidiary of the Company at the balance sheet date (note 16).

38. RELATED PARTY TRANSACTIONS (Continued)

- (c) The interest income was received from fixed deposits placed with Public Bank at the then prevailing market rates.
- (d) The rental income was derived from properties included in fixed assets, which were rented to:
 - (i) Public Bank as its staff quarters for a term of two years commencing on 1 August 2002 at a monthly rental of HK\$19,000; and
 - (ii) Public Bank as its office. The related lease arrangement was renewed on 1 August 2002 for a term of two years at a monthly rental of HK\$35,775.
- (e) The management fees arose from administrative services provided by the Group to the ultimate holding company. They were charged based on the cost incurred by the Group during the year.
- (f) In the prior year, full provision was made for estimated losses on an amount due from an associate, the recoverability of which was doubtful.

In addition, certain banking facilities of the Group are supported by letters of comfort issued by the ultimate holding company. None of these facilities were utilised during the year.

39. 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.

40. APPROVAL OF THE FINANCIAL STATEMENTS

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