



WINTON HOLDINGS (BERMUDA) LIMITED



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# Corporate Information

## Board of Directors

### *Chairman*

Y. Bhg. Tan Sri Dato' Dr. TEH Hong Piow  
President and Chief Executive Officer  
Public Bank Berhad

TAN Yoke Kong  
Y. Bhg. Datuk TAY Ah Lek  
WONG Kong Ming  
LEE Huat Oon

### *Independent non-executive directors*

GEH Cheng Hooi, Paul  
CHEAH Cheng Hye

## Joint Secretaries

CHAN Sau Kuen  
LO Wai Hing

## Registered Office

Clarendon House, Church Street  
Hamilton HM11, Bermuda

## Head Office and Principal Place of Business

Room 1101-1110, 11th Floor  
Phase 1, Argyle Centre  
688 Nathan Road, Mongkok  
Kowloon, Hong Kong  
Telephone : (852) 2391 9388  
Facsimile : (852) 2391 5366  
Website : [www.wintonholdings.com.hk](http://www.wintonholdings.com.hk)

## Principal Registrar and Transfer Office

Butterfield Corporate Services Limited  
Rosebank Centre, 11 Bermudiana Road  
Pembroke, Bermuda

## Hong Kong Registrar and Transfer Office

Central Registration Hong Kong Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## Auditors

Ernst & Young  
Certified Public Accountants

## Legal Advisers

Charles Yeung Clement Lam Liu & Yip  
Deacons

## Principal Bankers

Citibank, N.A.  
DBS Kwong On Bank Limited  
JCG Finance Company, Limited  
Keppel TatLee Bank Limited  
Liu Chong Hing Bank Limited  
Public Bank Berhad  
Public Bank (L) Ltd  
The Development Bank of Singapore Limited  
The Hongkong and Shanghai Banking Corporation Limited  
United Overseas Bank Limited

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 2002 Annual General Meeting of Winton Holdings (Bermuda) Limited (the “Company”) will be held at Ivy Room, 10th Floor, Mandarin Oriental, Hong Kong, 5 Connaught Road, Central, Hong Kong on Thursday, 28 February 2002 at 10:00 a.m. for the following purposes:–

## **As Ordinary Business:**

1. To receive and consider the Statement of Accounts and the Reports of the Directors and Auditors for the year ended 31 December 2001.
2. To declare a final dividend for the year ended 31 December 2001.
3. To re-elect Directors and to authorise the Board of Directors to fix the remuneration of the Directors.
4. To re-appoint auditors and to authorise the Board of Directors to fix their remuneration.

## **As Special Business:**

5. To consider and, if thought fit, pass with or without amendments the following resolutions as Ordinary Resolutions:–

(A) “**THAT:**–

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase ordinary shares in the capital of the Company be and is hereby generally and unconditionally approved;
- (b) pursuant to the approval in paragraph (a) of this Resolution, the aggregate nominal amount of ordinary shares which may be purchased on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) shall not exceed 10% of the aggregate nominal amount of ordinary shares in the capital of the Company in issue as at the date of the passing of this Resolution, and the said approval shall be limited accordingly; and
- (c) for the purpose of this Resolution:–

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:–

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the bye-laws of the Company to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

(B) “**THAT:**–

- (a) subject to paragraph (c) of this Resolution, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional ordinary shares in the capital of the Company or securities convertible into ordinary shares, or options, warrants or similar rights to subscribe for any ordinary shares, or such convertible securities, and to make or grant offers, agreements and options which might require the exercise of such power, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;

# Notice of Annual General Meeting

- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of ordinary shares in the capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue, (ii) the exercise of options granted under any share option scheme adopted by the Company or (iii) any scrip dividend or similar arrangement providing for allotment of ordinary shares in lieu of the whole or part of a dividend on ordinary shares of the Company in accordance with the bye-laws of the Company from time to time, shall not exceed the aggregate of 20% of the aggregate nominal amount of ordinary shares in the capital of the Company in issue as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution:–

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:-

- (i) the conclusion of the next annual general meeting of Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the bye-laws of the Company to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the ordinary shareholders of the Company in general meeting.

“Rights Issue” means an offer of ordinary shares open for a period fixed by the Directors of the Company to ordinary shareholders of the Company on the register on a fixed record date in proportion to their then holdings of ordinary shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlement or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

- (C) “**THAT** the general mandate referred to in Resolution No. 5(B) of the Notice of this Meeting be extended by adding the aggregate nominal amount of ordinary shares which shall have been purchased by the Company pursuant to Resolution No. 5(A) of the Notice of this Meeting to the aggregate nominal amount of ordinary shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company, provided that such amount shall not exceed 10% of the aggregate nominal amount of ordinary shares in the capital of the Company in issue as at the date of the passing of this Resolution.”

- 6. To consider and, if thought fit, pass the following resolution as a Special Resolution:

“**THAT**:–

subject to the approval of the Registrar of Companies in Hong Kong, “**運通泰集團（百慕達）有限公司**” be adopted as the Chinese name of the Company to be registered in Hong Kong.”

- 7. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

(A) “**THAT** conditional upon:

- (a) the Listing Committee of the Stock Exchange granting approval of (i) the new share option scheme of the Company (the “New Scheme”), a copy of which has been produced at the Meeting marked “A” and signed by the Chairman for identification purpose; (ii) the options to be granted under the New Scheme; and (iii) the listing of and permission to deal in the new shares to be issued pursuant to the exercise of the options under the New Scheme;

# Notice of Annual General Meeting

- (b) the approval of the New Scheme by the shareholders of JCG Holdings Limited in general meeting; and
- (c) (if so required) the approval of the New Scheme by the shareholders of Public Bank Berhad and (if so required) by the Kuala Lumpur Stock Exchange,

the New Scheme be and is hereby approved and adopted and that the Directors of the Company be and are hereby authorised (i) to grant options under the New Scheme; and (ii) to do such things and acts as may be necessary or expedient in connection with the administration and implementation of the New Scheme in accordance with the rules set out therein.”

(B) “**THAT** the existing share option scheme of the Company adopted on 24 July 1992 be and is hereby terminated.”

By Order of the Board  
**CHAN Sau Kuen**  
*Company Secretary*

Hong Kong, 16 January 2002

*Notes:*

- (1) The Register of Members will be closed from 22 February 2002 to 28 February 2002, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Registrar, Central Registration Hong Kong Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 21 February 2002.
- (2) A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.
- (3) To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's head office and principal place of business at Room 1101-1110, 11th Floor, Phase I, Argyle Centre, 688 Nathan Road, Mongkok, Kowloon, Hong Kong not later than 48 hours before the time appointed for holding the meeting or adjourned meeting (as the case may be).
- (4) Concerning item no. 5(A) of this Notice, approval is being sought from members for a general mandate to be given to the Directors to repurchase ordinary shares. The Directors wish to state that they have no immediate plan to purchase ordinary shares in the Company.
- (5) Concerning item no. 5(B) of this Notice, approval is being sought from members for a general mandate to authorise the allotment of ordinary shares in the capital of the Company in order to give flexibility to the Directors in the event that it becomes desirable to issue any additional ordinary shares of the Company. The Directors have no immediate plan to issue any new ordinary shares of the Company pursuant to such approval.
- (6) Concerning item no. 5(C) of this Notice, approval is being sought from members for an extension of the general mandate sought to be granted to the Directors of the Company to allot ordinary shares by adding to it the number of ordinary shares, if any, which are repurchased under the authority granted pursuant to the Resolution contained in item no. 5(A) of this Notice.
- (7) A circular containing the information regarding Resolutions Nos. 6 and 7 of this Notice together with an explanatory statement in relation to Resolution No. 5(A) of this Notice will be despatched to the members together with the Company's 2001 Annual Report.

# Chairman's Statement

## Business Review

Winton Holdings (Bermuda) Limited and its subsidiaries (the "Group") recorded a profit after tax and minority interests of HK\$73.0 million for the year ended 31 December 2001 as compared to a profit after tax and minority interests of HK\$4.9 million recorded in the previous year.

The marked improvement in the Group's profit for 2001 was mainly attributed to a reduction in finance costs by 64.5% or HK\$54.9 million due to repayment of bank borrowings and lower interest rates, a decrease in provisions for bad and doubtful debts by 64.0% or HK\$45.1 million due to lower default in taxi financing loans, an increase in commission income from referral of taxi financing loans to the Group's panel of financiers by 18.8% or HK\$3.9 million, and a decrease in commission expenses by 98.0% or HK\$12.9 million as a result of a lower amortisation and write-off of commission expenses.

During the year, the Group continued to focus on trading of taxi licences and taxi cabs, and taxi financing activities.

As a result of loans repayment and early settlement, the Group's taxi loans instalment receivables net of provisions for bad and doubtful debts declined by 59.4% or HK\$679.2 million to HK\$463.7 million at the end of 2001 from HK\$1,142.9 million at the end of year 2000.

Funds generated from loan repayments and early settlements of taxi financing loans were used to reduce bank borrowings. Consequently, the Group's bank borrowings were further reduced to HK\$200.0 million from HK\$764.9 million at the end of year 2000.

## Prospects

The year 2002 is expected to be another challenging year with the continued slowdown in the Hong Kong economy and high unemployment rate.

The Government's effort in promoting the local tourism industry and the relaxation of the Chinese Government for mainland tourists to visit Hong Kong should have a positive impact on the industry, and on the economy of Hong Kong.

Also, Hong Kong's strategic location will provide one of the prime gateways for international businesses to expand into China's enormous economy following its successful accession into the WTO, hence indirectly benefiting the local economy from its role as a logistics hub and service center for business people, goods and services.

The taxi industry has benefited from low interest rates for taxi financing loans and lower LPG fuel cost which have improved the cash flow of taxi operators and their taxi loan repayment capability, thus improving the quality of taxi financing loans. The authority has also been reviewing and opening up restricted zones for taxis to pick-up and drop-off passengers, and such added convenience will attract more passengers and improve the earnings of taxi drivers. These favourable factors will contribute to the stability of the price of taxi licences.

The Group will continue to focus on its taxi trading and taxi financing businesses, and will continue to refer taxi financing loans to its panel of financiers in generating fee income.

## Acknowledgement

On behalf of the Board of Directors, I wish to express our appreciation to the management and staff of the Group for their commitment and dedication. I also wish to thank our customers for their invaluable patronage and the shareholders for their continued confidence and support to the Group.

**Tan Sri Dato' Dr. TEH Hong Piow**

*Chairman*

## Financial Results

Winton Holdings (Bermuda) Limited and its subsidiaries (the “Group”) recorded a profit after tax and minority interests of HK\$73.0 million for the year ended 31 December 2001, as compared to HK\$4.9 million recorded in the previous financial year, despite a weak economy in Hong Kong, especially during the second half of year 2001. The Group’s earnings per share rose to 13.4 cents per share against a loss per share of 2.1 cents for the previous year.

The marked improvement in the Group’s net profit was mainly attributed to a significant reduction in finance costs by 64.5% or HK\$54.9 million as a result of a decrease in borrowing costs and a reduction in bank borrowings, a reduction in provisions for bad and doubtful debts by 64.0% or HK\$45.1 million due to lower default in taxi financing loans, an increase in commission income by 18.8% or HK\$3.9 million from referral of taxi financing loans to the Group’s panel of financiers, and a decrease in commission expenses by 98.0% or HK\$12.9 million from lower amortisation and write-off of commission expenses.

The Directors recommended the payment of a final dividend of 7 cents per share (2000: Nil) to the ordinary shareholders for the year ended 31 December 2001.

## Business Performance

Despite a difficult operating environment and weak economic conditions in Hong Kong, the Group achieved a remarkable increase in net profit to HK\$73.0 million for the year ended 31 December 2001, following the successful turnaround to profit of HK\$4.9 million for the year 2000.

During the year, the taxi licence prices have remained stable. The income level of taxi owners and hirers had improved due to higher taxi rental income, lower taxi financing instalment payments with lower interest rates on taxi financing loan, and lower operating cost on conversion to the use of cheaper liquefied petroleum gas. These favorable factors have contributed to lower default in taxi financing loans, resulting in a reduction in the Group’s provisions for bad and doubtful debts from HK\$70.4 million in 2000 to HK\$25.3 million in 2001.

During the year, the Group recorded a higher turnover in taxi trading activities with an increase in the sales of new taxi cabs as more taxi owners converted their diesel taxis to liquefied petroleum gas taxis and benefited from the special subsidy granted by the Government. Consequently, the Group’s taxi financing activities increased and more taxi financing loans were referred to the Group’s panel of financiers, resulting in the increase of the Group’s commission income by 18.8% or HK\$3.9 million to HK\$24.7 million for the year from HK\$20.8 million in 2000.

In the past few years, as the Group has booked in fewer number of new taxi financing loans but instead referred the financing business to its panel of financiers and generated higher fee income, the Group’s amortisation and write-off of commission expenses also fell by HK\$12.9 million to HK\$0.3 million in 2001.

During the year, a higher level of early settlement of taxi financing loans was also recorded due to refinancing of taxi financing loans by hirers. After taking into account loan repayments, early settlements and bad debts written off during the year, the Group’s taxi loans instalment receivables net of provisions for bad and doubtful debts contracted by 59.4% or HK\$679.2 million to HK\$463.7 million as at the end of 2001 from HK\$1,142.9 million as at the end of 2000. The Group wrote-off HK\$19.0 million in defaulted taxi financing loans in the year against HK\$91.0 million in the previous year.

The funds generated from loan repayments and early settlements of taxi financing loans were utilised to repay HK\$564.9 million in bank borrowings. At the end of 2001, the Group’s bank borrowings fell to HK\$200.0 million from HK\$764.9 million at the end of 2000. Coupled with a succession of interest rate cuts during the year, the Group’s finance costs reduced significantly by 64.5% or HK\$54.9 million to HK\$30.2 million in 2001 from HK\$85.1 million in 2000.



# Management Discussion and Analysis

## Liquidity and Capital Expenditures

The Group's shareholders' funds increased to HK\$1,041.4 million as at 31 December 2001 from HK\$985.2 million as at 31 December 2000.

Despite having repaid HK\$564.9 million in bank borrowings, the Group's cash and cash equivalents, which included the net proceeds from the issue of the convertible preference shares in the year 2000, stood at HK\$582.3 million as at 31 December 2001. Thus, the Group has available funds as working capital for its taxi trading and taxi financing businesses.

Based on the total bank borrowings and shareholders' funds as at 31 December 2001, the Group's gearing ratio stood at 0.19 as compared to 0.78 at the end of 2000.

During the year, the Group did not create additional charges on its assets to secure banking facilities nor incur any material capital expenditure commitment.

The Group's principal operations are conducted and recorded in Hong Kong dollars. During the year, the Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its balance sheet exposure.

## Human Resources

The Group adopts a competitive remuneration package for its employees. In addition, based on the Group's business performance and individual performance, discretionary bonus may be granted to eligible staff. Social activities are organised to foster team spirit amongst the staff. Staff training and development programmes are also conducted from time to time.

## Contingent Liabilities

Under the co-financing arrangements, the Group has extended guarantees to its co-financing banks for certain taxi financing loans. As at 31 December 2001, the outstanding guarantees given to the co-financing banks decreased to HK\$1.7 million from HK\$10.0 million as at the end of 2000.

During the year, the Group has issued letters of undertaking to one of the financiers of taxi financing loans to refund any surplus sale proceeds from disposal of repossessed taxi licences and taxi cabs from defaulted taxi hirers under the security arrangement for term loans granted to these hirers. At the end of 2001, the letters of undertaking issued amounted to HK\$2.0 million.

As regards to the summons served by certain ex-employees of a restaurant formerly operated by a subsidiary of the Group seeking to file their statements of claims under a representative action on employment related matters, the Court has dismissed the ex-employees' applications on 10 July 2001. The ex-employees would have to file their statements of claims individually if they wish to proceed with their claims. So far, the Group is not aware of any statement of claims having been filed. Based on legal advice, any such claims will be defended by the subsidiary.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2001.

## Principal activities

The Company acted as an investment holding company during the year. Its major subsidiaries are engaged in 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 activities during the year.

Details of the principal activities of the Company's subsidiaries are set out in note 17 to the financial statements.

## Segment information

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations for the year ended 31 December 2001 is set out in note 6 to the financial statements.

## Credit risk

Credit risk is the risk associated with a customer or counterparty being unable to meet a commitment when it falls due, and arises from the lending activities undertaken by the Group.

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

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

## Market risk

Market risk is the risk associated with changes in interest rates, foreign exchange rates, equity prices, commodity prices and government policies; and the effect that such changes have on positions taken on market risk related financial instruments, including both on and off balance sheet instruments, which may result in profits or losses.

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

## Liquidity management

The main objectives of the Group's liquidity management are to ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund business activities and to generate reasonable returns from available funds.

## Results and dividends

The Group's results for the year ended 31 December 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 47.

A semi-annual convertible preference share dividend, in the amount of HK\$8,362,000 (2000: HK\$5,468,000), was paid to the convertible preference shareholders on 29 June 2001 and a further semi-annual convertible preference share dividend, in the amount of HK\$8,500,000 (2000: HK\$8,362,000), was paid to the convertible preference shareholders on 31 December 2001. The said dividends are calculated on daily basis and are included in the financial statements.

# Report of the Directors

## Results and dividends (continued)

No interim dividend on the Company's ordinary shares was declared in respect of the year (2000: Nil). The directors recommend the payment of a final dividend of 7 cents per ordinary share (2000: Nil) in respect of the year.

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 48.

## Fixed assets and investment properties

Details of the movements in the fixed assets and investment properties of the Group are set out in notes 15 and 16 to the financial statements, respectively.

## Subsidiaries

Particulars of the Company's subsidiaries are set out in note 17 to the financial statements.

## Associates

Particulars of the Group's associates are set out in note 18 to the financial statements.

## Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for 33% of the total sales for the year and sales to the largest customer included therein amounted to 10%. Purchases from the five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

None of the directors of the Company, their associates or any shareholder (which, to the knowledge of the directors own more than 5% of the Company's issued share capital) has an interest in the Group's five largest customers or five largest suppliers.

## Bank borrowings

Details of the Group's bank borrowings as at 31 December 2001 are set out in notes 24 and 25 to the financial statements.

## Directors' remuneration and the five highest paid individuals

Details of directors' remuneration and those of the five highest paid individuals in the Group are set out in notes 9 and 10 to the financial statements, respectively.

## Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements.

## Distributable reserves

The Company's contributed surplus is distributable to shareholders in accordance with the Companies Act 1981 of Bermuda. At 31 December 2001, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$281,556,000 (inclusive of the Company's contributed surplus) as computed in accordance with the generally accepted accounting principles of Hong Kong. In addition, the Company's share premium account in the amount of approximately HK\$627,270,000 may be distributed in the form of fully paid bonus shares.

## Share capital

Details of movements in the Company's share capital are set out in note 28 to the financial statements.

## Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## Directors

The directors of the Company during the year were as follows:

### *Non-executive directors:*

Tan Sri Dato' Dr. TEH Hong Piow, Chairman  
Datuk TAY Ah Lek

### *Executive directors:*

TAN Yoke Kong  
WONG Kong Ming  
LEE Huat Oon

### *Independent non-executive directors:*

GEH Cheng Hooi, Paul  
CHEAH Cheng Hye

In accordance with the bye-laws of the Company, Mr. TAN Yoke Kong and Mr. CHEAH Cheng Hye retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## Directors' service contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

## Connected transactions

- (1) The Group's wholly-owned subsidiaries, Winton Financial Limited ("WFL") and Winton Financial (Factoring) Limited ("WFFL") entered into agreements with Public Bank Berhad ("Public Bank"), the Group's ultimate holding company, and WFFL entered into an agreement with JCG Finance Company, Limited ("JCG Finance"), a fellow subsidiary, for the joint provision of hire purchase financing to purchasers of taxis and/or public light buses (the "Co-Financing Arrangements"). The terms of the Co-Financing Arrangements with Public Bank and JCG Finance are essentially the same as those which the Group has with other co-financing banks.

During the year, no new hire purchase loans were granted by the Group under the Co-Financing Arrangements with Public Bank (2000: Nil) and JCG Finance (2000: Nil). There were no new guarantees ("Guarantee") provided by the Company to Public Bank (2000: Nil) and JCG Finance (2000: Nil) in respect of borrowers who may default within one year of the co-financed hire purchase loans. However, the Company extended the Guarantee for the amount of approximately HK\$770,000 (2000: HK\$770,000) to Public Bank for two accounts rescheduled by Public Bank on terms similar to those the Group has with other co-financing banks. Under the Co-Financing Arrangements, no interest was paid by the Group to Public Bank (2000: Nil) and JCG Finance (2000: Nil). No commission income was received by the Group from Public Bank (2000: HK\$76,000) and JCG Finance (2000: Nil) under the Co-Financing Arrangements.

The Company was granted a conditional waiver by the Stock Exchange under a letter dated 7 April 2000, from strict compliance with the requirements of Chapter 14 of the Listing Rules in respect of the Guarantee provided by the Company to Public Bank concerning the obligations of WFL and WFFL under the Co-Financing Arrangements. Mr. GEH Cheng Hooi, Paul and Mr. CHEAH Cheng Hye, the independent non-executive directors of the Company, and the external auditors have reviewed the Guarantee. The respective parties have concluded that the Guarantee met the conditions imposed by the Stock Exchange under the conditional waiver.

# Report of the Directors

## Connected transactions (continued)

- (2) Pursuant to facility agreements entered into between WFL and Public Bank (L) Ltd, a wholly-owned subsidiary of Public Bank, Public Bank (L) Ltd granted unsecured revolving credit facilities to WFL for a total of HK\$800,000,000 (2000: HK\$800,000,000). The facilities were utilised to the extent of HK\$749,414,000 during the year (2000: HK\$799,414,000), and up to HK\$200,000,000 as at 31 December 2001 (2000: HK\$749,414,000). Interest paid by the Group for the year to Public Bank (L) Ltd in respect of the facilities, amounted to approximately HK\$29,088,000 (2000: HK\$73,306,000).
- (3) Pursuant to the facility agreement entered into between the Company and JCG Finance, JCG Finance granted an unsecured revolving credit facility to the Company for a total of HK\$30,000,000 up to the maturity date on 13 April 2001 (2000: HK\$30,000,000). The Company did not request for the facility to be renewed upon its expiry. The facility was not utilised by the Company during the period up to the maturity date (2000: up to HK\$5,000,000 and as at 31 December 2000: Nil). No interest or related facility fee was paid by the Company to JCG Finance for the year in respect of the facility (2000: HK\$85,000).
- (4) Pursuant to the master dealer agreements entered into between Winton Motors, Limited (“WML”) and each of JCG Finance and Public Bank on 1 March 2001 and 29 December 1994 respectively, WML may from time to time refer hirers to JCG Finance or Public Bank for obtaining taxi financing loans, and in return, WML will receive dealer’s commission from JCG Finance or Public Bank (the “Transactions”). Dealer’s commission received/receivable by WML for the year from JCG Finance and Public Bank was HK\$11,684,000 (2000: HK\$353,000) and HK\$1,646,000 (2000: HK\$28,000), respectively.

The Company and JCG Holdings Limited were separately granted conditional waivers by the Stock Exchange under letters dated 23 May and 16 May 2001, respectively, from strict compliance with the requirements of Chapter 14 of the Listing Rules in respect of the Transactions mentioned above. Mr. GEH Cheng Hooi, Paul and Mr. CHEAH Cheng Hye, the independent non-executive directors of the Company and JCG Holdings Limited, and the external auditors have reviewed the Transactions. The respective parties have concluded that the Transactions met the respective conditions imposed by the Stock Exchange under the conditional waivers granted to the Company and JCG Holdings Limited.

- (5) During the year, the Company placed fixed deposits with Public Bank (L) Ltd at prevailing market rates. As at 31 December 2001, the fixed deposits placed amounted to HK\$300,000,000 (2000: HK\$300,000,000). Interest income received/receivable by the Company for the year from Public Bank (L) Ltd in respect of the placements amounted to approximately HK\$12,214,000 (2000: HK\$15,756,000).
- (6) During the year, Winton (B.V.I.) Limited, a wholly-owned subsidiary of the Company, placed a fixed deposit with Public Bank at prevailing market rates. As at 31 December 2001, the fixed deposit placed amounted to HK\$22,036,000 (2000: Nil). Interest income received/receivable by Winton (B.V.I.) Limited for the year from Public Bank in respect of the placement amounted to approximately HK\$41,000 (2000: Nil).
- (7) During the year, the Company placed fixed deposits with JCG Finance at prevailing market rates. As at 31 December 2001, the fixed deposits placed amounted to HK\$200,000,000 (2000: Nil). Interest income received/receivable by the Company for the year from JCG Finance in respect of the placements amounted to approximately HK\$65,000 (2000: Nil).

## Directors' interests in shares

- (1) As at the balance sheet date, the directors' interests in the issued share capital of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register required to be kept under Section 29 of the SDI Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Interests in	Name of director	Number of ordinary shares	
		Corporate interests	Personal interests
1. The Company	Tan Sri Dato'		
	Dr. TEH Hong Piow	314,999,925	—
2. JCG Holdings Limited ("JCG"), the immediate holding company	Tan Sri Dato'		
	Dr. TEH Hong Piow	419,524,110	—
	TAN Yoke Kong	—	90,000
	CHEAH Cheng Hye	—	10,000
3. Public Bank Berhad ("Public Bank"), the ultimate holding company	Tan Sri Dato'		
	Dr. TEH Hong Piow	981,234,817	1,000,000
	Datuk TAY Ah Lek	172,900	176,800
	WONG Kong Ming	—	116,817
4. Public Finance Berhad, a fellow subsidiary	Tan Sri Dato'		
	Dr. TEH Hong Piow	187,319,051	16,500
	Datuk TAY Ah Lek	2,349	1,650

Interests in	Name of director	Number of convertible preference shares	
		Corporate interests	Personal interests
The Company	Tan Sri Dato'		
	Dr. TEH Hong Piow	870,225,121	—

Tan Sri Dato' Dr. TEH Hong Piow, by virtue of his interest in Public Bank, is deemed to be interested in the ordinary shares and convertible preference shares of the Company and the ordinary shares of the associated corporations as disclosed above, to the extent that Public Bank has an interest. Such 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.

By virtue of his interest in Public Bank, Tan Sri Dato' Dr. TEH Hong Piow is also deemed to be interested in the non wholly-owned subsidiaries of Public Bank and of the Company, to the extent of Public Bank's or the Company's interests in them, respectively. These non wholly-owned subsidiaries have not been itemised on the basis that they are not material in the context of the Group and the list is of excessive length.

# Report of the Directors

## Directors' interests in shares (continued)

- (2) As at the balance sheet date, the interests of the directors in any rights to subscribe for ordinary shares in the Company and its associated corporations (as defined in the SDI Ordinance) as recorded in the register required to be kept under Section 29 of the SDI Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in	Notes	Name of director	Number of share options		
			At the beginning of the year	Granted during the year	At the end of the year
1. JCG	(i)	TAN Yoke Kong	150,000	—	150,000
	(i)	LEE Huat Oon	136,000	—	136,000
2. Public Bank	(ii)	Tan Sri Dato' Dr. TEH Hong Piow	250,000	75,000	325,000
	(ii)	Datuk TAY Ah Lek	175,000	52,500	227,500

Notes:

- (i) The options to subscribe for ordinary shares of HK\$0.10 each in JCG were granted on 20 June 1997 under the JCG Share Option Scheme duly approved on 20 March 1997. 50% of the options are exercisable commencing from two years after 5 July 1997, and the remaining 50% of the options are exercisable commencing from three years after 5 July 1997. The exercise period for all of the options will end on 4 July 2002. The exercise price of an option to subscribe for a share is HK\$4.77 per share.
- (ii) The options to subscribe for ordinary shares of RM0.50 each in Public Bank were granted on 10 April 1998 under its Employees' Share Option Scheme. Adjustments arising from Public Bank's bonus issue were made on 23 April 2001. The options are exercisable from 10 April 1998 to 24 February 2003, subject to the terms of the Employees' Share Option Scheme, at the adjusted exercise price of an option to subscribe for a share of RM1.27.

During the year, no options to subscribe for ordinary shares in the Company were granted to any of the directors, or to the spouse or children under 18 years of age of any of the directors, under the share option scheme which was adopted by the Company on 24 July 1992.

During the year, no options to subscribe for ordinary shares in JCG and Public Bank were exercised by any of the directors or the spouse or children under 18 years of age of any of the directors.

Save as disclosed above, none of the directors had any personal, family, corporate or other beneficial interests in the equity or debt securities of the Company or any of its associated corporations.

## Share option scheme

As at the balance sheet date, the particulars in relation to the share option scheme of the Company that are required to be disclosed under Rules 17.07 and 17.09 of Chapter 17 of the Listing Rules, were as follows:

### (a) *Share option scheme of the Company*

Since the adoption of the share option scheme of the Company on 24 July 1992, 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) *A summary of the share option scheme of the Company is set out as follows:*

Purpose	:	To attract, retain and motivate high-calibre employees
Participants	:	Full-time employees (including executive directors) of the Company or any subsidiary
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	:	42,000,000 ordinary shares and 3.1% 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
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
Minimum period for which an option must be held before it can be exercised	:	1 year from date of grant
Amount payable on acceptance	:	HK\$1.00
Period within which payments/calls/loans must be made/repaid	:	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
The remaining life of the scheme	:	The scheme remains in force until 23 July 2002.



# Report of the Directors

## Directors' rights to acquire shares

Apart from the share option schemes noted above, at no time during the year was the Company or any of its holding companies, subsidiaries and fellow subsidiaries, a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Directors' interests in contracts

Except as detailed in note 33 to the financial statements and in the section headed "Connected transactions" above, no director had a beneficial interest, whether direct or indirect, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries and fellow subsidiaries was a party at the balance sheet date or at any time during the year.

## Directors' interests in competing business

Tan Sri Dato' Dr. TEH Hong Piow and Datuk TAY Ah Lek are also directors of Public Bank, which is also engaged in the provision of financing for licensed public vehicles through its branch in Hong Kong.

Tan Sri Dato' Dr. TEH Hong Piow, Mr. TAN Yoke Kong, Datuk TAY Ah Lek, Mr. WONG Kong Ming and Mr. LEE Huat Oon are also directors of JCG Finance, which is also engaged in the provision of financing for licensed public vehicles.

Tan Sri Dato' Dr. TEH Hong Piow is deemed to be a substantial shareholder of Public Bank and JCG Finance by virtue of his interest in Public Bank.

The provision of financing for licensed public vehicles undertaken by Public Bank and JCG Finance during the year were referred by the Group and other taxi dealers.

## Brief biographical details in respect of directors and senior management staff

Name	Age	Position held	Number of years of service with the Group	Business experience
Tan Sri Dato' Dr. TEH Hong Piow	71	Chairman	4	Tan Sri Dato' Dr. TEH is the founder, President and controlling shareholder of Public Bank and the Chairman of JCG. He has been working in the banking industry for more than 52 years.
TAN Yoke Kong	49	Director/Chief Executive Officer	6	Mr. TAN is a Director of JCG and has more than 20 years of experience in the banking sector.
Datuk TAY Ah Lek	59	Non-executive Director	4	Datuk TAY is an Executive Director of Public Bank and a Director of JCG, and has more than 37 years of experience in the banking and financial sector.

## Brief biographical details in respect of directors and senior management staff (continued)

Name	Age	Position held	Number of years of service with the Group	Business experience
WONG Kong Ming	48	Director	7	Mr. WONG is the General Manager of Public Bank, Hong Kong Branch and a Director of JCG, and has over 26 years of experience in the banking sector.
LEE Huat Oon	39	Director	4	Mr. LEE is a Director of JCG and has more than 14 years of experience in the banking sector.
GEH Cheng Hooi, Paul	67	Independent Non-executive Director	4	Mr. GEH is an Independent Non-executive Director of JCG and a consultant with KPMG, Malaysia, prior to which, he was with the same accounting firm for 29 years and was a Senior Partner thereof.
CHEAH Cheng Hye	47	Independent Non-executive Director	3	Mr. CHEAH is an Independent Non-executive Director of JCG and has more than 12 years of experience in the financial sector, prior to which, he worked as a financial journalist for 12 years.
NG Chee Khuen	34	Assistant General Manager	4	Mr. NG was formerly attached to Public Bank and has over 11 years of experience in the banking and financial sector.
TAM Sin Kei	49	Chief Financial Officer	30	Mr. TAM has extensive experience in the taxi financing and taxi trading businesses.

## Substantial shareholders

As at the balance sheet date, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that JCG held 314,999,925 ordinary shares of HK\$0.10 each in the Company, which represented approximately a 75% shareholding in the Company.

Public Bank was deemed to be interested in the same 314,999,925 ordinary shares by virtue of its 59.3% interest in JCG.

Tan Sri Dato' Dr. TEH Hong Piow was also deemed to be a substantial shareholder of the Company by virtue of his interest in Public Bank, the ultimate holding company of JCG.

Save as disclosed above, the directors of the Company are not aware of any person who is, directly or indirectly, interested in 10% or more of the issued ordinary share capital of the Company or has any rights to subscribe for shares in respect of such capital.

## Purchase, sales or redemption of listed securities of the Company

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

# Report of the Directors

## Audit committee

The Company established an audit committee (the “Audit Committee”) in accordance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The present members of the Audit Committee are Datuk TAY Ah Lek (Chairman of the Audit Committee), Mr. GEH Cheng Hooi, Paul and Mr. CHEAH Cheng Hye. Four meetings were held during the year to consider corporate governance, regulatory compliance, internal control and financial reporting matters covering the financial year ended 31 December 2001.

## Code of best practice

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting year covered by this annual report. The non-executive directors and independent non-executive directors of the Company are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company’s bye-laws.

## Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**TAN Yoke Kong**

*Director*

Hong Kong

16 January 2002



To the members

**Winton Holdings (Bermuda) Limited**

*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 20 to 47 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

## Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

## Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

## Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

16 January 2002

# Consolidated Profit and Loss Account

For the year ended 31 December 2001

	Notes	2001 HK\$'000	2000 HK\$'000
Turnover	4	167,620	125,711
Cost of sales		(135,168)	(95,225)
<b>GROSS PROFIT</b>		<b>32,452</b>	<b>30,486</b>
Interest income	5	123,349	163,622
Other operating income		7,725	2,773
Operating expenses		(53,618)	(103,606)
<b>PROFIT FROM OPERATING ACTIVITIES</b>	7	<b>109,908</b>	<b>93,275</b>
Finance costs	8	(30,212)	(85,107)
Share of results of associates		(5,932)	(2,618)
<b>PROFIT BEFORE TAX</b>		<b>73,764</b>	<b>5,550</b>
Tax	11	(737)	(499)
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>73,027</b>	<b>5,051</b>
Minority interests		10	(175)
<b>NET PROFIT FROM ORDINARY</b>			
<b>ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>	12	<b>73,037</b>	<b>4,876</b>
<b>DIVIDENDS</b>	13		
Convertible preference shares - paid		(16,862)	(13,830)
Ordinary shares - proposed		(29,400)	—
		<b>(46,262)</b>	<b>(13,830)</b>
<b>EARNINGS/(LOSS) PER SHARE</b>	14		
Basic		<b>13.4 cents</b>	(2.1 cents)
Diluted		<b>5.4 cents</b>	N/A

Other than the net profit from ordinary activities attributable to shareholders for the year, the Group had no recognised gains or losses. Accordingly, a Consolidated Statement of Recognised Gains and Losses is not presented in the financial statements.

# Consolidated Balance Sheet

31 December 2001

	Notes	2001 HK\$'000	2000 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets	15	51,399	55,998
Investment properties	16	35,602	29,508
Interests in associates	18	—	5,932
Long term loan instalment receivables	19	438,602	1,120,382
Deferred expenditure		257	2,532
		<b>525,860</b>	<b>1,214,352</b>
<b>CURRENT ASSETS</b>			
Loan instalment receivables	19	25,138	22,521
Loan receivables	19	14,534	26,550
Inventories	20	18,300	24,940
Other receivables	21	114,027	132,306
Tax recoverable		2,281	3,804
Cash and cash equivalents	22	582,315	368,725
		<b>756,595</b>	<b>578,846</b>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	23	26,683	25,475
Interest-bearing bank borrowings	24	—	15,458
		<b>26,683</b>	<b>40,933</b>
<b>NET CURRENT ASSETS</b>		<b>729,912</b>	<b>537,913</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,255,772</b>	<b>1,752,265</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	25	200,000	749,414
Provision for long service payments	26	4,575	6,819
Deferred tax	27	9,690	10,690
		<b>214,265</b>	<b>766,923</b>
<b>MINORITY INTERESTS</b>		<b>138</b>	<b>148</b>
		<b>1,041,369</b>	<b>985,194</b>
<b>CAPITAL AND RESERVES</b>			
Issued capital	28	134,400	134,400
Reserves	29	877,569	850,794
Proposed final dividend	13	29,400	—
		<b>1,041,369</b>	<b>985,194</b>

**TAN Yoke Kong**  
Director

**LEE Huat Oon**  
Director

# Consolidated Cash Flow Statement

For the year ended 31 December 2001

	Notes	2001 HK\$'000	2000 HK\$'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	30(a)	230,727	81,760
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Dividends paid on convertible preference shares		(16,862)	(13,830)
Dividend paid to minority interests		—	(15)
<b>Net cash outflow from return on investments and servicing of finance</b>		(16,862)	(13,845)
<b>TAX</b>			
Hong Kong profits tax paid		(214)	(3)
<b>INVESTING ACTIVITIES</b>			
Purchases of fixed assets		(96)	(92)
Proceeds from disposal of fixed assets		35	30
<b>Net cash outflow from investing activities</b>		(61)	(62)
<b>NET CASH INFLOW BEFORE FINANCING ACTIVITIES</b>		213,590	67,850
<b>FINANCING ACTIVITIES</b>	30(b)		
Proceeds from issue of convertible preference shares		—	303,811
<b>Net cash inflow from financing activities</b>		—	303,811
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		213,590	371,661
Cash and cash equivalents at beginning of year		368,725	(2,936)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		582,315	368,725
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		582,315	368,725

# Company Balance Sheet

31 December 2001

	Notes	2001 HK\$'000	2000 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets	15	3	8
Interests in subsidiaries	17	538,605	744,158
		<b>538,608</b>	<b>744,166</b>
<b>CURRENT ASSETS</b>			
Other receivables	21	459	552
Cash and cash equivalents	22	505,520	305,295
		<b>505,979</b>	<b>305,847</b>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	23	828	842
Tax payable		533	525
		<b>1,361</b>	<b>1,367</b>
<b>NET CURRENT ASSETS</b>			
		<b>504,618</b>	<b>304,480</b>
		<b>1,043,226</b>	<b>1,048,646</b>
<b>CAPITAL AND RESERVES</b>			
Issued capital	28	134,400	134,400
Reserves	29	879,426	914,246
Proposed final dividend	13	29,400	—
		<b>1,043,226</b>	<b>1,048,646</b>

**TAN Yoke Kong**  
Director

**LEE Huat Oon**  
Director



# Notes to Financial Statements

31 December 2007

## 1. Corporate information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 3. Summary of significant accounting policies

### *Basis of preparation*

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

### *Basis of consolidation*

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

### *Subsidiaries*

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

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

### *Associates*

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

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

# Notes to Financial Statements

31 December 2001

## 3. Summary of significant accounting policies (continued)

### *Fixed assets and depreciation*

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

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

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

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

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

### *Investment properties*

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

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

### *Deferred expenditure*

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

### *Operating leases*

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

## 3. Summary of significant accounting policies (continued)

### *Inventories*

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

### *Deferred tax*

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

### *Foreign currencies*

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

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

### *Retirement benefits scheme*

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

### *Long service payments*

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

### *Provisions for doubtful debts*

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

### *Impairment*

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

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

# Notes to Financial Statements

31 December 2001

## 3. Summary of significant accounting policies (continued)

### *Revenue recognition*

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

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

### *Financing operations*

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

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

### *Dividends*

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

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

### *Related parties*

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

### *Cash equivalents*

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

## 4. Turnover

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

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

## 5. Interest income

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

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

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

## 6. Segment information

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

### *Business segments*

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

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

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

# Notes to Financial Statements

31 December 2001

## 6. Segment information (continued)

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

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

### Geographical segment

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

## 7. Profit from operating activities

Profit from operating activities is arrived at

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

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

## 8. Finance costs

The finance costs represent the following:

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

## 9. Directors' remuneration

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

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



# Notes to Financial Statements

31 December 2001

## 9. Directors' remuneration (continued)

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

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

## 10. Five highest paid individuals

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

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

## 11. Tax

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

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year.

No Hong Kong or overseas profits tax has been provided for associates as the associates did not generate any assessable profits in Hong Kong or elsewhere during the year (2000: Nil).

## 12. Net profit from ordinary activities attributable to shareholders

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

## 13. Dividends

### *Convertible preference shares*

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

Subject to the Companies Act 1981 of Bermuda and the bye-laws of the Company, the holders of the convertible preference shares are entitled to be paid dividends semi-annually at 5.5% per annum on the notional value of HK\$0.33 per convertible preference share in arrears on a daily basis.

### *Ordinary shares*

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

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

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

## 14. Earnings/(loss) per share

### *(a) Basic earnings/(loss) per share*

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

### *(b) Diluted earnings/(loss) per share*

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

# Notes to Financial Statements

31 December 2001

## 15. Fixed assets

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

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

## 15. Fixed assets (continued)

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

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

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

## 16. Investment properties

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

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

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

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

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

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

# Notes to Financial Statements

31 December 2001

## 17. Interests in subsidiaries

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

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

Particulars of the Company's subsidiaries are as follows:

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

## 17. Interests in subsidiaries (continued)

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

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

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

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

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

## 18. Interests in associates

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

Particulars of the Group's associates are as follows:

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

# Notes to Financial Statements

31 December 2001

## 19. Loan instalment receivables and loan receivables

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

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

The maturity profile of loan instalment receivables and loan receivables at the balance sheet date is analysed by the remaining periods to their contractual maturity dates as follows:

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

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

## 20. Inventories

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

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

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

## 21. Other receivables

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

Other receivables are shown net of provisions.

Included in prepayments, deposits and other receivables were trade receivables of HK\$19,000 (2000: HK\$502,000) after provision thereon of HK\$605,000 (2000: HK\$362,000). As the trade receivables are immaterial to the Group, the maturity profile thereof is not disclosed. The Group allows an average credit of 90 days to its trade debtors.

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

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

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

## 22. Cash and cash equivalents

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

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

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



# Notes to Financial Statements

31 December 2001

## 23. Other payables and accruals

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

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

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

## 24. Interest-bearing bank borrowings, current

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

## 25. Interest-bearing bank borrowings, non-current

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

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

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

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

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

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

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

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

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

## 26. Provision for long service payments

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

## 27. Deferred tax

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

# Notes to Financial Statements

31 December 2001

## 27. Deferred tax (continued)

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

	Group			
	Provided		Unprovided	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Commission expenses claimed over amount amortised and interest receivable	9,690	10,690	—	—
Unutilised tax losses	—	—	(100,000)	(134,768)
	<b>9,690</b>	10,690	<b>(100,000)</b>	(134,768)

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

There are no significant potential deferred tax liabilities for which provision has not been made.

## 28. Share capital

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

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

## 29. Reserves

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

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

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.

# Notes to Financial Statements

31 December 2001

## 29. Reserves (continued)

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

## 30. Notes to the consolidated cash flow statement

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

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

(b) Analysis of changes in financing during the year

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

## 31. Operating lease arrangements

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

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

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

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

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

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

## 32. Contingent liabilities

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

# Notes to Financial Statements

31 December 2001

## 32. Contingent liabilities (continued)

- (d) Various ex-employees of a restaurant formerly operated by a subsidiary of the Group served summons in July 2000 to the subsidiary seeking to file their respective statement of claims under representative action concerning employment related matters. At the hearing before the court on 10 July 2001, the court dismissed the ex-employees' applications. The ex-employees are required to file their statements of claims individually if they wish to proceed with their claims. So far, the Group is not aware of any statement of claims having been filed. Based on legal advice, any such claims will be defended by the subsidiary.

## 33. Related party transactions

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

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

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

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

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

## 33. Related party transactions (continued)

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

## 34. Comparative figures

As explained in note 2 to the financial statements, due to the adoption of new SSAPs during the current year, the presentation of the profit and loss account, the balance sheets and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative figures have been reclassified to conform with the current year's presentation. The changes made are explained in the other notes to the financial statements.

## 35. Approval of the financial statements

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



# Five Year Financial Summary

31 December 2001

## Assets and liabilities

	31 December				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Total assets	1,282,455	1,793,198	1,713,905	1,914,793	2,257,324
Total liabilities	(240,948)	(807,856)	(1,023,580)	(1,158,846)	(1,330,450)
Minority interests	(138)	(148)	12	(5)	(7)
Shareholders' funds	1,041,369	985,194	690,337	755,942	926,867
	Year ended 31 December				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Net profit/(loss) from ordinary activities attributable to shareholders	73,037	4,876	(65,605)	(154,125)	50,193
Basic earnings/(loss) per share (note 14)	13.4 cents	(2.1 cents)	(15.6 cents)	(36.7 cents)	12.0 cents

The summary of results and of assets and liabilities presented above have been extracted from the published financial statements of the Group. The presentation of total liabilities, net profit/(loss) and basic earnings/(loss) per share have been revised to comply with the application of SSAP 9 retrospectively.