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## Board of Directors

### *Chairman*

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

TAN Yoke Kong  
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  
KWOK Mei Po

## Registered Office

Clarendon House, Church Street,  
Hamilton HM11, Bermuda

## Head Office and Principal Place of Business

Room 1101-1110, 11th Floor, Phase I,  
Argyle Centre, 688 Nathan Road, Mongkok, Kowloon,  
Hong Kong

## 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  
Conyers Dill & Pearman

## Principal Bankers

Citibank N.A.  
Liu Chong Hing Bank Limited  
Public Bank (L) Ltd  
The Development Bank of Singapore Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

## BUSINESS REVIEW

Winton Holdings (Bermuda) Limited (the "Company") and its subsidiaries (the "Group") recorded a profit from operating activities before finance costs of HK\$26.7 million for the year ended 31 December 1999 as compared to a loss from operating activities before finance costs of HK\$50.7 million for the previous year ended 31 December 1998. However, after taking into account finance costs of HK\$91.7 million, the Group recorded a loss after tax and minority interests of HK\$65.6 million for the year ended 31 December 1999, which represented an improvement of 57.4% over the loss after tax and minority interests of HK\$154.1 million for the previous year ended 31 December 1998. The improvement in the results of the Group for the year 1999 was mainly attributed to lower defaults in taxi financing loans, and lower finance costs in its bank borrowings.

The lower defaults in taxi financing loans was attributed to stabilising market conditions for the taxi industry during the year, as well as the continued effort made by the Group together with its co-financing banks in restructuring some of the taxi financing loan repayments. Consequently, total provisions for bad and doubtful debts expenses inclusive of specific provisions for the year ended 31 December 1999 were reduced to HK\$109.4 million from HK\$205.9 million in 1998. Specific provisions for bad and doubtful debts arising from defaults in taxi financing loans reduced significantly to HK\$96.2 million in 1999 from HK\$171.0 million in 1998.

In addition, the decline in market interest rates in Hong Kong and decrease in bank borrowings in 1999 from 1998 had also contributed to lower finance costs of HK\$91.7 million for the year 1999 against HK\$119.5 million for 1998. This represented a savings of HK\$27.8 million or 23.3% in finance costs for the year 1999.

For the period under review, the Group remained cautious in the taxi financing business and taxi trading activities. As a result, turnover for the year from taxi trading and related operations, and taxi financing business declined by 31.3% to HK\$269.9 million from HK\$392.9 million in 1998.

## PROSPECTS

The prices of taxi licenses have stabilised at over HK\$2 million level since the second quarter of 1999. With the gradual recovery and anticipated improvement in the economy of Hong Kong, along with the anticipated increase in tourist arrivals in Hong Kong, the market sentiment in the taxi industry is set to improve. Consequently, the taxi hirers and taxi operators are expected to benefit from increased earnings. The improving economic conditions in Hong Kong and market sentiment in the taxi industry will have a positive impact on taxi financing and taxi trading activities.

The Group believes that the prevailing market conditions and sentiment of the taxi industry are positive, and intends to continue its focus on the taxi financing and taxi trading businesses moving forward.

On 28 December 1999, the Company announced to raise additional funds through the issue of 924,000,000 convertible preference shares of HK\$0.10 each at the subscription price of HK\$0.33 per share in the proportion of eleven convertible preference shares for every five ordinary shares held. The net proceeds of approximately HK\$303.0 million from the issue of the convertible preference shares are intended to be applied as general working capital of the Group. The Group, however, will continue to be cautious and adopt a prudent approach in its taxi financing and taxi trading businesses.

# C *hairman's* S *tatement*

## ACKNOWLEDGMENT

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 to the Group. I also wish to thank the customers for their continued patronage and the shareholders for their continued support to the Group.

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

*Chairman*

## RESULTS

For the year ended 31 December 1999, Winton Holdings (Bermuda) Limited and its subsidiaries (the "Group") recorded a profit from operating activities before finance costs of HK\$26.7 million, which represented an improvement over a loss from operating activities before finance costs of HK\$50.7 million for the previous year ended 31 December 1998.

However, after taking into account finance costs of HK\$91.7 million (HK\$119.5 million for 1998), the Group recorded a loss after tax and minority interests of HK\$65.6 million for the year ended 31 December 1999, which represented a significant improvement of 57.4% over the loss after tax and minority interests of HK\$154.1 million for the previous year ended 31 December 1998.

The improved results from operating activities was mainly attributed to a decline in provisions for bad and doubtful debts by HK\$96.5 million or 46.9% to HK\$109.4 million in 1999 when compared with that of 1998. The Group's finance costs were also reduced by HK\$27.8 million to HK\$91.7 million in 1999 from HK\$119.5 million in 1998, thus resulting in a lower loss after tax in 1999.

The Directors do not recommend the payment of dividend for the year ended 31 December 1999.

## BUSINESS PERFORMANCE

In 1999, the Group continued to consolidate its taxi financing and taxi trading activities whilst the operating environment and market conditions of the taxi industry was stabilising. The Group continued to adopt a cautious and conservative approach in its taxi financing and taxi trading businesses. Consequently, turnover related to taxi financing business and taxi trading activities fell by HK\$123.0 million to HK\$269.9 million in 1999 when compared with that of 1998.

The gradual recovery of Hong Kong's economy and stabilising market conditions of the taxi industry, coupled with the continued effort by the Group together with its co-financing banks to restructure the taxi financing loan repayments of the taxi hirers, have all contributed to the decrease in defaults of taxi financing loans in 1999. As a result, the Group managed to record a significant reduction in the specific provisions for defaulted taxi financing loans of HK\$96.2 million as compared to HK\$171.0 million in 1998.

During the year, the Group wrote off HK\$223.4 million in taxi financing loans which were fully provided for as specific provisions for bad and doubtful debts. After writing off taxi financing loans and deducting the provisions for bad and doubtful debts, the Group's taxi loan instalment receivables decreased by HK\$119.6 million to HK\$1,429.5 million as at 31 December 1999 from HK\$1,549.1 million as at 31 December 1998.

The generally lower interest rates in Hong Kong and decrease in bank borrowings in 1999 from 1998 also benefited the Group in terms of lower costs of bank borrowings. The Group's savings in finance costs was HK\$27.8 million, which represented a reduction of 23.2%, from HK\$119.5 million in 1998 to HK\$91.7 million in 1999. General and administration and commission expenses of the Group were also reduced by HK\$7.6 million in 1999 from that of 1998 through cost rationalisation.

During the year, the Group continued to fund its taxi financing and taxi trading businesses from internally generated funds and bank borrowings. As at 31 December 1999, the Group's shareholders' funds and total bank borrowings stood at HK\$690.3 million and HK\$984.2 million, respectively as compared to HK\$755.9 million and HK\$1,082.3 million, respectively as at 31 December 1998.

# R eport of the D irectors

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 1999.

## PRINCIPAL ACTIVITIES

The Company acted as an investment holding company during the year. Its major subsidiaries are engaged in the provision of finance to purchasers of 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, leasing of taxis and trading of automobile accessories and spare parts. There were no significant changes in the nature of the Group's activities during the year.

Details of the activities of the Company's subsidiaries are set out in note 14 to the financial statements.

## SEGMENTAL INFORMATION

(a) By geographical area

The Group's principal operations are located in Hong Kong, SAR.

(b) An analysis of the Group's turnover and contribution by principal activity for the year is as follows:

	Turnover HK\$'000	Contribution HK\$'000
Taxi trading and related operations	94,796	7,554
Financing business	175,061	18,450
Others	19,560	21,240
	<u>289,417</u>	<u>47,244</u>
Expenses		
General and administrative		(20,497)
Finance costs		<u>(91,658)</u>
Loss after general and administrative, and finance costs		<u>(64,911)</u>

## RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 1999 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 16 to 43.

No interim dividend was declared in respect of the year (1998: 1 cent per share). The directors do not recommend the payment of final dividend in respect of the year (1998: Nil).

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 44.

## FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group are set out in note 13 to the financial statements.

## SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 14 to the financial statements.

## ASSOCIATES

Particulars of the Group's associates are set out in note 15 to the financial statements.

## MAJOR SUPPLIERS AND CUSTOMERS

Income attributable to the five largest customers accounted for less than 30% of the Group's total turnover for the year.

Purchases from the five largest suppliers accounted for 47% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to 18%.

None of the directors of the Company or their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) or any shareholders (which, to the best knowledge of the directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

## BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Details of the Group's borrowings as at 31 December 1999 are set out in notes 21, 22 and 25 to the financial statements.

## DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of directors' remuneration and the five highest paid individuals in the Group are set out in notes 7 and 8 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 28 to the financial statements.

## DISTRIBUTABLE RESERVES

At 31 December 1999, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$285,575,000 as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account in the amount of HK\$415,859,000 may be distributed in the form of fully paid bonus shares.

## SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options are set out in note 27 to the financial statements.

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 (*appointed on 23 January 1999*)  
KOK Mew Faa, Matthew (*retired on 23 March 1999*)

In accordance with bye-laws 87(1) and 87(2) of the Company, Datuk TAY Ah Lek and Mr. WONG Kong Ming retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. The terms of office of the non-executive directors are subject to retirement by rotation in accordance with the bye-laws of the Company.

## 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 other than statutory compensation.

## CONNECTED TRANSACTIONS

The Company's wholly-owned subsidiaries, Winton Financial Limited ("WFL") and Winton Financial (Factoring) Limited ("WFFL") entered into agreements with Public Bank Berhad ("Public Bank"), its 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 loan was granted by the Group under the Co-Financing Arrangements with Public Bank (1998: HK\$9,792,000) and JCG Finance (1998: HK\$33,622,000). There was no new guarantee provided by the Company to Public Bank (1998: HK\$171,000) and JCG Finance (1998: HK\$5,522,000) in respect of borrowers who may default within one year of the loan. However, the Company extended the guarantee to Public Bank for 2 accounts rescheduled by Public Bank for the amount of approximately HK\$770,000 on terms similar to other co-financing banks. Interest received by Public Bank and JCG Finance under the Co-Financing Arrangements with the Group amounted to approximately HK\$40,000 (1998: HK\$5,753,000) and HK\$1,736,000 (1998: HK\$1,356,000), respectively, and in return, commission income of approximately HK\$122,000 (1998: HK\$4,389,000) and HK\$414,000 (1998: Nil) was received by the Group from Public Bank and JCG Finance, respectively.

In addition, 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 million (1998: HK\$750 million). The facilities were utilised to the extent of HK\$799.4 million as at 31 December 1999 (1998: HK\$750 million). Interest paid by the Group for the year to Public Bank (L) Ltd in respect of the facilities amounted to approximately HK\$64,798,000 (1998: HK\$74,556,000).



## CONNECTED TRANSACTIONS (continued)

During the year, pursuant to a facility agreement entered into between JCG Finance and the Company, JCG Finance granted an unsecured revolving credit facility to the Company for a total of HK\$100 million. The facility was utilised to the extent of HK\$5,000,000 as at 31 December 1999 (1998: Nil). Interest paid by the Group for the year to JCG Finance in respect of the facility amounted to approximately HK\$2,034,000 (1998: HK\$67,000).

## DIRECTORS' INTERESTS IN SHARES

- (1) At the balance sheet date, the interests of the directors 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 were as follows:

Interests in	Notes	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")	(i)	Tan Sri Dato' Dr. TEH Hong Piow TAN Yoke Kong CHEAH Cheng Hye	391,582,110 - -	- 90,000 10,000
3. Public Bank	(ii)	Tan Sri Dato' Dr. TEH Hong Piow Datuk TAY Ah Lek WONG Kong Ming	784,228,000 133,000 -	210,000 136,000 52,360
4. Public Finance Berhad	(iii)	Tan Sri Dato' Dr. TEH Hong Piow Datuk TAY Ah Lek	187,319,051 2,349	16,500 1,650

*Notes:*

- (i) JCG is the immediate holding company of the Company and holds 314,999,925 ordinary shares of HK\$0.10 each in the Company.
- (ii) Public Bank is the ultimate holding company of JCG and the Company.
- (iii) Public Finance Berhad is a subsidiary of Public Bank.

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

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.

## DIRECTORS' INTERESTS IN SHARES (continued)

- (2) At the balance sheet date, the interests of the directors in any rights to subscribe for shares in the Company and its associated corporations as recorded in the register required to be kept under Section 29 of the SDI Ordinance were as follows:

Interests in	Notes	Name of director	Options granted in prior years, remaining unexecuted at end of current year
1. JCG	(i)	TAN Yoke Kong	150,000
	(i)	LEE Huat Oon	136,000
2. Public Bank	(ii)	Tan Sri Dato' Dr. TEH Hong Piow	250,000
	(ii)	Datuk TAY Ah Lek	175,000
	(ii)	WONG Kong Ming	37,500

*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 for Employees duly approved on 20 March 1997. 50% of the options are exercisable two years after 5 July 1997, and the remaining 50% of the options are exercisable three years after 5 July 1997 at a subscription price of HK\$4.77 per share. The last day to exercise the options is 4 July 2002.
- (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. The options are exercisable from 10 April 1998 to 24 February 2003, subject to the terms of Employees' Share Option Scheme, at a subscription price of RM1.66 per share.

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

During the year, none of the options to subscribe for shares in JCG and Public Bank was granted to or exercised by 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 as referred to in the SDI Ordinance.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the share option schemes mentioned 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 in any material contract to which the Company or any of its holding companies, subsidiaries and fellow subsidiaries was a party during the year.

## 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	69	Chairman	2	He is the founder and controlling shareholder of Public Bank and the Chairman of JCG. He has been in the banking industry for more than 50 years.
TAN Yoke Kong	47	Director/Chief Executive Officer	4	He is a Director of JCG and has more than 18 years of experience in the banking sector.
Datuk TAY Ah Lek	57	Non-executive Director	2	He is the Executive Director of Public Bank and a Director of JCG, and has more than 35 years of experience in the banking and financial sector.
WONG Kong Ming	46	Director	5	He is the General Manager of Public Bank, Hong Kong Branch and a Director of JCG, and has over 24 years of experience in the banking sector.
LEE Huat Oon	37	Director	2	He is a Director of JCG and has more than 12 years of experience in the banking sector.
GEH Cheng Hooi, Paul	65	Independent Non-executive Director	2	He is an Independent Non-executive Director of JCG and a consultant with KPMG, Malaysia. Prior to this, Mr. GEH was with the same firm for 29 years and was the Senior Partner thereof.

## 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
CHEAH Cheng Hye	45	Independent Non-executive Director	1	He is an Independent Non-executive Director of JCG and has more than 10 years of experience in the financial sector, prior to which he worked as a financial journalist for 12 years.
NG Chee Khuen	32	Assistant General Manager	2	He was formerly attached to Public Bank and has over 7 years of experience in the banking sector.
TAM Sin Kei	47	Chief Financial Officer	28	He has extensive experience in taxi financing and taxi trading businesses.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 1999, the only substantial shareholder with a registered interest in the share capital of the Company, recorded in the register required to be maintained under Section 16(1) of the SDI Ordinance, was JCG, which reported a holding of 314,999,925 ordinary shares of HK\$0.10 each, representing approximately a 75% shareholding.

Public Bank was also deemed to be beneficially interested in the same 314,999,925 shares by virtue of Public Bank's 55.4% shareholding interest in JCG.

As at 31 December 1999, Tan Sri Dato' Dr. TEH Hong Piow was also deemed to be a substantial shareholder of the Company by virtue of his shareholding in Public Bank, the ultimate holding company of JCG.

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

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

## DONATIONS

During the year, the Group made charitable and other donations totalling HK\$72,500.

## YEAR 2000 READINESS

In the Company's 1998 Interim and Annual Reports, and 1999 Interim Report, the Group has disclosed the approach adopted in addressing the Year 2000 Problem and furnished relevant updates on the progress of its Year 2000 compliance project.

The Group has completed all required hardwares and equipments upgrading and software modifications and enhancements. Its new taxi hire-purchase and personal loan system, and other systems are Year 2000 compliant.

Besides, the Group's contingency plan specific to Year 2000 issues, which includes manual handling of business operations, is already in place to cater for possible business disruptions due to system failures arising from the Year 2000 Problem. During the transition from 31 December 1999 to 1 January 2000 and as at the current reporting date, the Group's operations have not encountered any problems relating to the Year 2000 Problem.

The project costs for implementation of the new taxi hire-purchase and personal loan system, and upgrading of hardwares and equipments to ensure Year 2000 compliance were estimated at HK\$2.50 million. The authorised project costs contracted for amounted to about HK\$2.48 million, out of which approximately HK\$1.41 million had been incurred as at 31 December 1999. The total cost for this project has been capitalised and is subject to depreciation on a straight-line basis in line with the Group's accounting policies.

## POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 32 to the financial statements.

## AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 1 March 1999 in compliance with the new additional requirement of the Code of Best Practice as set out in Appendix 14 of the Listing Rules, with written terms of reference which were formulated by reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997. The present members of the Audit Committee are Tan Sri Dato' Dr. TEH Hong Piow (Chairman of the Audit Committee), Datuk TAY Ah Lek (alternate to Tan Sri Dato' Dr. TEH Hong Piow), Mr. GEH Cheng Hooi, Paul and Mr. CHEAH Cheng Hye. Meetings shall be held not less than twice a year. The work of Audit Committee has covered the full accounting year ended 31 December 1999.

## 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 appointed 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.

# R eport of the D irectors

## 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

28 January 2000



To the members

**WINTON HOLDINGS (BERMUDA) LIMITED**

*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 16 to 43 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, in all material respects, of the state of affairs of the Company and of the Group as at 31 December 1999 and of the loss 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

28 January 2000

# Consolidated Profit and Loss Account

Year ended 31 December 1999

	Notes	1999 HK\$'000	1998 HK\$'000
<b>TURNOVER</b>	4	<b>289,417</b>	434,798
<b>OPERATING PROFIT/(LOSS)</b>		<b>19,042</b>	(56,871)
Other revenue		7,705	6,208
<b>PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b>	5	<b>26,747</b>	(50,663)
Finance costs	6	(91,658)	(119,461)
<b>LOSS AFTER FINANCE COSTS</b>		<b>(64,911)</b>	(170,124)
Share of results of associates		(480)	(6,833)
<b>LOSS BEFORE TAX</b>		<b>(65,391)</b>	(176,957)
Tax	9	(201)	22,858
<b>LOSS BEFORE MINORITY INTERESTS</b>		<b>(65,592)</b>	(154,099)
Minority interests		(13)	(26)
<b>NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>	10	<b>(65,605)</b>	(154,125)
Dividends	11	-	(4,200)
<b>RETAINED LOSS FOR THE YEAR</b>		<b>(65,605)</b>	(158,325)
<b>LOSS PER SHARE</b>	12		
Basic		(15.6 cents)	(36.7 cents)
Diluted		N/A	N/A



# Consolidated Balance Sheet

31 December 1999

	Notes	1999 HK\$'000	1998 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets	13	87,704	87,198
Interests in associates	15	8,550	9,030
Long term loan instalment receivables	16	1,394,491	1,508,047
Deferred expenditure		19,606	64,875
		<b>1,510,351</b>	<b>1,669,150</b>
<b>CURRENT ASSETS</b>			
Loan instalment receivables	16	34,960	41,058
Loan receivables		43,802	79,582
Inventories	17	31,609	75,697
Trade receivables		1,675	3,077
Other receivables	18	85,749	37,121
Tax recoverable		4,300	7,820
Cash and cash equivalents		1,459	1,288
		<b>203,554</b>	<b>245,643</b>
<b>CURRENT LIABILITIES</b>			
Trade payables		53	135
Other payables and accruals	20	21,716	55,262
Interest-bearing bank and other loans	21	113,554	185,731
		<b>135,323</b>	<b>241,128</b>
<b>NET CURRENT ASSETS</b>			
		<b>68,231</b>	<b>4,515</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>1,578,582</b>	<b>1,673,665</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other loans	22	870,647	899,032
Provision for long service payments		6,920	7,996
Deferred tax	26	10,690	10,690
		<b>888,257</b>	<b>917,718</b>
Minority interests		(12)	5
		<b>888,245</b>	<b>917,723</b>
		<b>690,337</b>	<b>755,942</b>
<b>CAPITAL AND RESERVES</b>			
Issued capital	27	42,000	42,000
Reserves	28	648,337	713,942
		<b>690,337</b>	<b>755,942</b>

Tan Yoke Kong  
Director

LEE Huat Oon  
Director

# Consolidated Cash Flow Statement

Year ended 31 December 1999

	Notes	1999 HK\$'000	1998 HK\$'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	29(a)	6,219	30,086
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Dividends paid		-	(16,800)
Dividends paid to minority interests		(30)	(778)
Net cash outflow from returns on investments and servicing of finance		(30)	(17,578)
<b>TAX</b>			
Hong Kong profits tax refunded/(paid)		3,319	(12,111)
<b>INVESTING ACTIVITIES</b>			
Purchases of fixed assets		(3,363)	(69)
Proceeds from disposal of investment in an associate		-	1,100
Proceeds from disposal of fixed assets		-	158
Net cash (outflow)/inflow from investing activities		(3,363)	1,189
<b>NET CASH INFLOW BEFORE FINANCING ACTIVITY</b>		6,145	1,586
<b>FINANCING ACTIVITY</b>			
Repayment of mortgage loan	29(b)	(5,000)	(12,000)
Net cash outflow from financing activity		(5,000)	(12,000)
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		1,145	(10,414)
Cash and cash equivalents at beginning of year		(4,081)	6,333
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		(2,936)	(4,081)
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		1,459	1,288
Bank overdrafts		(4,395)	(2,885)
Trust receipt loans with maturity less than three months		-	(2,484)
		(2,936)	(4,081)

# Company Balance Sheet

31 December 1999

	Notes	1999 HK\$'000	1998 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets	13	42	860
Interests in subsidiaries	14	742,756	733,359
		<u>742,798</u>	<u>734,219</u>
<b>CURRENT ASSETS</b>			
Tax recoverable		-	3,572
Other receivables	18	6,910	110
Cash and cash equivalents		20	3
		<u>6,930</u>	<u>3,685</u>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	20	888	631
Loan from a fellow subsidiary	21	5,000	-
Tax payable		406	-
		<u>6,294</u>	<u>631</u>
<b>NET CURRENT ASSETS</b>			
		<u>636</u>	<u>3,054</u>
		<u>743,434</u>	<u>737,273</u>
<b>CAPITAL AND RESERVES</b>			
Issued capital	27	42,000	42,000
Reserves	28	701,434	695,273
		<u>743,434</u>	<u>737,273</u>

TAN Yoke Kong  
Director

LEE Huat Oon  
Director

# Notes to Financial Statements

31 December 1999

## 1. CORPORATE INFORMATION

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

During the year, the Group's principal activities are the provision of taxi financing loans, the provision of personal and short term loans, trading of taxi cabs and taxi licences, leasing of taxis and trading of automobile accessories and spare parts. There were no 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 Berhad ("Public Bank"), which is incorporated in Malaysia.

## 2. IMPACT OF NEW STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAP")

The following are Accounting Standards that 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:

- SSAP 1: Presentation of Financial Statements
- SSAP 2: Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies
- SSAP 10: Accounting for Investments in Associates

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content therein. The formats of the profit and loss account and balance sheets as set out on pages 16, 17 and 19 respectively, have been revised in accordance with the SSAP. Additional disclosures as required by the SSAP have been included in the supporting notes.

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

SSAP 2 prescribes the classification, disclosure and accounting treatment of certain items in the profit and loss account, and specifies the accounting treatment for changes in accounting estimates, changes in accounting policies and the correction of fundamental errors. The principal impact of the SSAP on the preparation of these financial statements is that exceptional items, previously disclosed on the face of the profit and loss account, are now disclosed by way of note (note 5 to the financial statements) and are no longer specifically referred to as "Exceptional".

SSAP 10, which prescribes the accounting treatment for investments in associates, closely follows the previous SSAP 10 and, accordingly, has had no major impact on these financial statements. The terminology used and certain disclosures have been revised in line with the new requirements.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

These financial statements have been prepared in accordance with Hong Kong SSAP, 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 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 1999. 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 permanent diminutions 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 diminutions in values other than temporary in nature deemed necessary by the directors.

**Related parties**

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fixed assets and depreciation

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

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 the remaining lease terms, 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 assets.

#### 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, and rental income are 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, which are paid or payable to dealers for the referral of financing business, are netted off against the related commission receivable from co-financing banks. 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Inventories**

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

**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) on 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 income, when earned;
- (c) rental income, on the 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".

**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.

**Financing operations**

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

Commission expenses, after netting off any related commission receivable from co-financing banks, 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.

**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.

# Notes to Financial Statements

31 December 1999

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies

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

### Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

### Long service payments

Provisions for long service payments have 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 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 are stated in the financial statements net of these provisions.



## 4. TURNOVER

Turnover represents the net amounts received and receivable for goods supplied and services rendered, trading of taxi cabs and taxi licences, leasing of taxis and interest from the provision of financing after netting off interest paid to co-financing banks under joint financing arrangements, and is summarised as follows:

	Group	
	1999 HK\$'000	1998 HK\$'000
Taxi trading and related operations	94,796	156,518
Financing business *	175,061	236,383
Others	19,560	41,897
	<b>289,417</b>	<b>434,798</b>

\* The amount has been arrived at after netting off interest paid to co-financing banks under joint financing arrangements, as follows:

Ultimate holding company	40	5,753
A fellow subsidiary	1,736	1,356
Others	20,705	139,008

## 5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

Profit/(loss) from operating activities is arrived at

	Group	
	1999 HK\$'000	1998 HK\$'000

after charging:

Amortisation and write off of commission expenses	39,119	44,297
Auditors' remuneration	882	1,049
Depreciation	2,833	3,251
Loss on disposal of fixed assets	24	24
Operating lease rentals on land and buildings	504	1,429
Deficit on revaluation of investment properties ( <i>note 13</i> )	-	18,152
Provision for bad and doubtful debts	109,448	205,932
Cost of inventories sold	101,311	200,370

and after crediting:

Interest income on fixed deposits	12	927
Interest income from associates	2,353	2,285
Gain on disposal of an associate	-	1,100
Gross rental income less outgoings	2,317	2,831

# Notes to Financial Statements

31 December 1999

## 6. FINANCE COSTS

	Group	
	1999 HK\$'000	1998 HK\$'000
Interest on:		
Bank loans and overdrafts	24,826	44,905
Loans from fellow subsidiaries wholly repayable within five years	66,832	74,556
	<u>91,658</u>	<u>119,461</u>

## 7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section S161 of the Companies Ordinance is as follows:

	Group	
	1999 HK\$'000	1998 HK\$'000
Fees:		
Non-executive	70	70
Independent non-executive	140	76
	<u>210</u>	<u>146</u>

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

	1999 Number of directors	1998 Number of directors
Nil – HK\$1,000,000	<u>8</u>	<u>8</u>

During the year, Mr. KOK Mew Faa, Matthew, an independent non-executive director, was entitled to a remuneration of HK\$17,500 but waived his entitlement. Except for Mr. KOK Mew Faa, Matthew, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

## 8. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals in 1999 and 1998 did not include any directors. The remuneration of these five (1998: five) highest paid individuals was analysed and fell within the band set out below.

	1999	1998
	HK\$'000	HK\$'000
Basic salaries, housing, other allowances and benefits in kind	2,834	2,765
Bonuses paid and payable	231	349
	<u>3,065</u>	<u>3,114</u>
	1999	1998
	Number of individuals	Number of individuals
Nil – HK\$1,000,000	5	5

## 9. TAX

Hong Kong profits tax has been provided at the rate of 16% (1998: 16%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	1999	1998
	HK\$'000	HK\$'000
Group:		
Hong Kong	201	1,685
Overprovision in prior years	-	(4,979)
Deferred tax credit ( <i>note 26</i> )	-	(19,564)
Tax charge/(credit) for the year	<u>201</u>	<u>(22,858)</u>

## 10. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$6,161,000 (1998: net loss of HK\$112,000).

# Notes to Financial Statements

31 December 1999

## 11. DIVIDENDS

	1999	1998	1999	1998
	Cents per	Cents per	HK\$'000	HK\$'000
	ordinary share	ordinary share		
Interim	-	1.0	-	4,200

## 12. LOSS PER SHARE

The calculation of loss per share is based on the net loss attributable to shareholders for the year of HK\$65,605,000 (1998: HK\$154,125,000) and the 420,000,000 (1998: 420,000,000) shares in issue throughout the year.

Diluted loss per share for the years ended 31 December 1999 and 1998 has not been shown as no dilutive events existed during these years.

## 13. FIXED ASSETS

Group	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improvements, furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:					
At beginning of year	29,508	63,043	12,719	2,478	107,748
Additions	-	-	3,363	-	3,363
Disposals	-	-	(34)	(143)	(177)
<b>At 31 December 1999</b>	<b>29,508</b>	<b>63,043</b>	<b>16,048</b>	<b>2,335</b>	<b>110,934</b>
Accumulated depreciation:					
At beginning of year	-	6,695	11,377	2,478	20,550
Provided during the year	-	1,500	1,333	-	2,833
Disposals	-	-	(10)	(143)	(153)
<b>At 31 December 1999</b>	<b>-</b>	<b>8,195</b>	<b>12,700</b>	<b>2,335</b>	<b>23,230</b>
Net book value:					
<b>At 31 December 1999</b>	<b>29,508</b>	<b>54,848</b>	<b>3,348</b>	<b>-</b>	<b>87,704</b>
At 31 December 1998	29,508	56,348	1,342	-	87,198

## 13. FIXED ASSETS (continued)

Company	Furniture and fixtures HK\$'000
Cost:	
At beginning of year	4,898
Additions during the year	5
<b>At 31 December 1999</b>	<b>4,903</b>
Accumulated depreciation:	
At beginning of year	4,038
Provided during the year	823
<b>At 31 December 1999</b>	<b>4,861</b>
Net book value:	
<b>At 31 December 1999</b>	<b>42</b>
At 31 December 1998	860

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

	Group 1999 HK\$'000
At cost:	
Medium term leases	7,233
Long term leases	55,810
	<b>63,043</b>

The Group's investment properties are situated in Hong Kong and are held under long term leases. Certain of the Group's investment properties, with a carrying value of HK\$29,158,000, were revalued to HK\$30,000,000 in accordance with the valuation on 21 December 1999 by Chung Sen Surveyors Limited, an independent professional valuer, on an open market value based on their existing use. As the directors are of the opinion that the revaluation surplus amount is immaterial, the carrying value of the properties is not adjusted to the revalued amount.

An investment property with a carrying value of HK\$350,000 has not been revalued by professional valuers at the balance sheet date as the directors are of the opinion that any revaluation adjustments will not be material.

Certain of the above leasehold land and buildings and investment properties held by the Group with a net book value of approximately HK\$83,764,000 at the balance sheet date were pledged to secure banking facilities granted to the Group (note 22).

# Notes to Financial Statements

31 December 1999

## 14. INTERESTS IN SUBSIDIARIES

	1999 HK\$'000	1998 HK\$'000
Unlisted shares	273,984	273,984
Amount due from a subsidiary	468,772	459,375
	<b>742,756</b>	<b>733,359</b>

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

Particulars of the Company's subsidiaries are as follows:

Name	Nominal value of issued/ registered ordinary share capital HK\$	Percentage of equity attributable to the Company		Principal activities
		Directly	Indirectly	
Eastwood Overseas Corporation	US\$1	–	100	Investment holding
Eternal Success Company Limited	20	–	100	Property holding
Keytop Investment Limited	2	–	100	Dormant
Lion Crown Company Limited	20	–	100	Dormant
Shuning Shing 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 hire-purchase financing and provision of personal and short term loans
Winton Financial (Factoring) Limited	1,000,000	–	100	Provision of hire-purchase financing
Winton Investment Company (China) Limited	1,000,000	–	100	Investment holding and general trading

## 14. 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 Motors, Limited	78,000	-	100	Trading of taxis and public light buses and leasing of taxis
Winton Motors Trading Company Limited	2	-	100	Trading of taxis and public light buses
Winton Restaurant Limited	20	-	100	Investment holding
Winton Trading Company Limited	20	-	100	Trading of automobile accessories and spare parts
Worthy Park Company Limited	20	-	100	Dormant
Wu Shang Mei Winton (China) Investment Company Limited	100	-	90	Investment holding

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

# Notes to Financial Statements

31 December 1999

## 15. INTERESTS IN ASSOCIATES

	Group	
	1999	1998
	HK\$'000	HK\$'000
Share of net assets, other than goodwill	8,550	9,030
Amount due from an associate	6,351	6,351
	14,901	15,381
Provision against amount due from an associate	(6,351)	(6,351)
	8,550	9,030

The amount due from an associate is unsecured and interest bearing at the prevailing market rate in the Mainland China.

Particulars of the Group's associates are as follows:

Name	Business structure	Place of registration	Percentage of ownership interest attributable to the Group		Principal activities
			1999	1998	
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
Zhuhai Winton Restaurant Limited	Corporate	The People's Republic of China	40	40	Restaurant operations



## 16. LOAN INSTALMENT RECEIVABLES

Loan instalment receivables which represent the amounts receivable from the Group's financing business are shown net of unearned interest on loan instalments which are not yet due. Amounts receivable within one year are shown under current assets.

Certain of the loan instalment receivables were pledged to secure banking facilities of HK\$160,271,000 (1998: HK\$269,123,000). As at 31 December 1999, such facilities were utilised to the extent of HK\$106,158,000 (1998: HK\$191,213,000).

## 17. INVENTORIES

	Group	
	1999 HK\$'000	1998 HK\$'000
Taxi cabs and taxi licences	29,280	65,192
Automobile accessories and spare parts	2,329	10,505
	<b>31,609</b>	75,697

The carrying amount of inventories carried at net realisable value included in the above is HK\$2,157,000 (1998: HK\$23,760,000).

At 31 December 1999, the carrying amount of inventories of the Group pledged as security for bank borrowings and other loans amounted to HK\$20,731,000 (1998: HK\$38,266,000) (*note 22*).

## 18. OTHER RECEIVABLES

	Group		Company	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Prepayments, deposits and other receivables	75,459	25,973	115	110
Dividend receivable	-	-	6,795	-
Due from the ultimate holding company	-	250	-	-
Due from an associate ( <i>note 19</i> )	10,290	10,898	-	-
	<b>85,749</b>	37,121	<b>6,910</b>	110

## 19. DUE FROM AN ASSOCIATE

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

# Notes to Financial Statements

31 December 1999

## 20. OTHER PAYABLES AND ACCRUALS

	Notes	Group		Company	
		1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Account payables and other accrued liabilities		21,481	39,727	888	631
Due to a fellow subsidiary	23	130	15,334	-	-
Due to the immediate holding company	24	105	105	-	-
Due to the ultimate holding company		-	96	-	-
		<b>21,716</b>	<b>55,262</b>	<b>888</b>	<b>631</b>

## 21. INTEREST-BEARING BANK AND OTHER LOANS, CURRENT

	Notes	Group		Company	
		1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Bank overdrafts	22	4,395	2,885	-	-
Current portion of bank loans	22	104,159	180,362	-	-
Trust receipt loans		-	2,484	-	-
Loan from a fellow subsidiary	22	5,000	-	5,000	-
		<b>113,554</b>	<b>185,731</b>	<b>5,000</b>	<b>-</b>

## 22. INTEREST-BEARING BANK AND OTHER LOANS, NON-CURRENT

	Notes	Group		Company	
		1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Bank overdrafts:					
Secured		4,395	2,885	-	-
Bank loans:					
Secured		175,392	289,394	-	-
Unsecured		-	40,000	-	-
Loans from fellow subsidiaries:					
Unsecured	25	804,414	750,000	5,000	-
		<b>984,201</b>	<b>1,082,279</b>	<b>5,000</b>	<b>-</b>
Bank overdrafts repayable within one year or on demand		4,395	2,885	-	-
Bank loans repayable:					
Within one year		104,159	180,362	-	-
In the second year		71,233	10,552	-	-
In the third to fifth years, inclusive		-	138,480	-	-
		<b>175,392</b>	<b>329,394</b>	<b>-</b>	<b>-</b>
Loans from fellow subsidiaries repayable:					
Within one year		5,000	-	5,000	-
In the second year		799,414	750,000	-	-
		<b>804,414</b>	<b>750,000</b>	<b>5,000</b>	<b>-</b>
		<b>984,201</b>	<b>1,082,279</b>	<b>5,000</b>	<b>-</b>
Portion classified as current liabilities	21	(113,554)	(183,247)	(5,000)	-
Long term portion		<b>870,647</b>	<b>899,032</b>	<b>-</b>	<b>-</b>

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 value of approximately HK\$29,508,000 (1998: HK\$29,158,000);
- (ii) First legal charges on certain leasehold land and buildings of the Group with an aggregate net book value of approximately HK\$54,256,000 (1998: HK\$55,724,000);
- (iii) Fixed charges on certain of the loan instalment receivables of the Group (*note 16*); and
- (iv) Fixed charges on certain of the inventories with amounts in total of HK\$20,731,000 (1998: HK\$38,266,000) (*note 17*).

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## 23. DUE TO A FELLOW SUBSIDIARY

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

## 24. DUE TO THE IMMEDIATE HOLDING COMPANY

The amount due to the immediate holding company represents procurement fees payable by the Group. The balance is unsecured, interest-free and repayable on demand.

## 25. LOANS FROM FELLOW SUBSIDIARIES

The loans from fellow subsidiaries of HK\$5,000,000 and HK\$799,414,000 are unsecured, interest-bearing at Hong Kong prevailing market rates and repayable within one year and after one year, respectively.

## 26. DEFERRED TAX

	Group	
	1999	1998
	HK\$'000	HK\$'000
Balance at beginning of year	10,690	30,254
Credit for the year (note 9)	-	(19,564)
Balance at end of year	10,690	10,690

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

	Provided		Not provided	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Commission expenses claimed over amount amortised	10,690	10,690	-	-
Unutilised tax losses	-	-	(117,842)	(109,375)
	10,690	10,690	(117,842)	(109,375)

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

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

## 27. SHARE CAPITAL

	1999	1998
	HK\$'000	HK\$'000
<i>Authorised:</i>		
500,000,000 ordinary shares of HK\$0.10 each	50,000	50,000
<i>Issued and fully paid:</i>		
420,000,000 ordinary shares of HK\$0.10 each	42,000	42,000

### Share options

Pursuant to an approved share option scheme for employees, the directors may, at their discretion, invite full-time employees of the Group, including executive directors, to take up options to subscribe for shares in the Company at any time during the ten years from the date of approval of the share option scheme, in accordance with the terms of the scheme. As at the balance sheet date, no options had been granted under the scheme.

## 28. RESERVES

	Share premium account HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>Group</b>					
At 1 January 1998	415,859	260,007	(1,992)	198,393	872,267
Loss for the year	-	-	-	(154,125)	(154,125)
Dividend	-	-	-	(4,200)	(4,200)
At 31 December 1998 and at beginning of year	415,859	260,007	(1,992)	40,068	713,942
Loss for the year	-	-	-	(65,605)	(65,605)
<b>At 31 December 1999</b>	<b>415,859</b>	<b>260,007</b>	<b>(1,992)</b>	<b>(25,537)</b>	<b>648,337</b>
Reserves retained by:					
Company and subsidiaries	415,859	260,007	-	2,951	678,817
Associates	-	-	(1,992)	(28,488)	(30,480)
<b>At 31 December 1999</b>	<b>415,859</b>	<b>260,007</b>	<b>(1,992)</b>	<b>(25,537)</b>	<b>648,337</b>

# Notes to Financial Statements

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## 28. RESERVES (continued)

	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>Company</b>				
At 1 January 1998	415,859	247,734	35,992	699,585
Loss for the year	-	-	(112)	(112)
Dividend	-	-	(4,200)	(4,200)
At 31 December 1998 and beginning of year	415,859	247,734	31,680	695,273
Profit for the year	-	-	6,161	6,161
<b>At 31 December 1999</b>	<b>415,859</b>	<b>247,734</b>	<b>37,841</b>	<b>701,434</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.

The contributed surplus of the Company represents the excess of the fair values 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. Under the Companies Act 1981 of Bermuda, a Company may make distributions to its shareholders from the contributed surplus under certain circumstances.

## 29. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	1999 HK\$'000	1998 HK\$'000
Loss after finance costs	(64,911)	(170,124)
Revaluation deficit on investment properties	-	18,152
Gain on disposal of interest in an associate	-	(1,100)
Amortisation and write-off of commission expenses	39,119	44,297
Provision for bad and doubtful debts	109,448	199,581
Provision for loss on amount due from an associate	-	6,351
Provision for diminution in value of inventories of taxi licences	24	2,641
Depreciation	2,833	3,251
Loss on disposal of fixed assets	24	24
(Decrease)/increase in provision for long service payments	(1,076)	2,297
Decrease/(increase) in amount due from associates	608	(1,747)
Decrease/(increase) in loan instalment receivables	10,235	(79,572)
Decrease in deferred expenditure	6,150	66,411
Decrease in loan receivables	35,751	239
Decrease in trade receivables	1,402	2,332
Decrease in inventories	44,064	74,412
Increase in prepayments, deposits and other receivables	(49,486)	(6,915)
Decrease in amount due from ultimate holding company	250	804
Decrease in amount due to ultimate holding company	(96)	(1,102)
Decrease in account payables and other accrued liabilities	(18,328)	(25,600)
Decrease in interest-bearing bank and other loans	(94,588)	(117,322)
(Decrease)/increase in amount due to fellow subsidiaries	(15,204)	12,776
Net cash inflow from operating activities	<u>6,219</u>	<u>30,086</u>

### (b) Analysis of changes in financing during the year

	Mortgage loan HK\$'000
Balance at 1 January 1998	17,000
Repayment during the year	<u>(12,000)</u>
Balance at 31 December 1998 and at 1 January 1999	5,000
Repayment during the year	<u>(5,000)</u>
<b>Balance at 31 December 1999</b>	<u>-</u>

# Notes to Financial Statements

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## 30. COMMITMENTS

	Group		Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(a) Capital commitments:				
Contracted for, but not provided in respect of purchases of fixed assets	-	1,704	-	1,704
(b) Annual commitments payable in the following year under non-cancellable operating leases in respect of land and building expiring:				
Within one year	-	693	-	213
In the second to fifth years, inclusive	180	195	180	195
	180	888	180	408

## 31. CONTINGENT LIABILITIES

	Group		Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(a) Guarantees given to banks to secure credit facilities of subsidiaries	-	-	1,138,200	1,085,200
Extent of the guaranteed credit facilities utilised at the balance sheet date	-	-	136,935	234,079
(b) Guarantees under co-financing arrangements given to:				
Ultimate holding company	770	171	770	171
A fellow subsidiary	-	5,522	-	-
Other co-financing banks	29,414	47,207	-	-
	30,184	52,900	770	171



## 31. CONTINGENT LIABILITIES (continued)

- (c) As at the balance sheet date, certain ex-employees of restaurants formerly operated by the Group in Hong Kong have given notice of their intention to proceed to claim alleged leave entitlements totalling HK\$3,500,000. The directors consider that monthly salaries paid to these employees had already included the leave entitlements as stipulated in the employment contracts. The Group's legal advisers are of the opinion that the Group has valid defences for the above litigation and accordingly, no provision in respect thereof has been made.
- (d) A claim for damages of HK\$2,215,000 relating to injuries sustained in a traffic accident has been instituted by a plaintiff against Winton Motors, Limited, a wholly owned subsidiary of the Company, as the owner of the taxi involved which was leased to a taxi driver. The claim is being attended to by the insurance company and is fully covered. Accordingly, no provision in respect thereof has been made.

## 32. POST BALANCE SHEET EVENTS

### (a) Increase of authorised share capital

As set out in the Company's circular dated 17 January 2000, upon, inter alia, the approval of the shareholders at the special general meeting of the Company scheduled to be held on 10 February 2000, the authorised share capital of the Company will be increased from HK\$50,000,000 to HK\$292,400,000 by the creation of 1,500,000,000 new ordinary shares of HK\$0.10 each of the Company and the creation of 924,000,000 convertible preference shares of HK\$0.10 each of the Company.

### (b) Issue of Convertible Preference Shares

As set out in the Company's circular dated 17 January 2000, upon, inter alia, the approval of the shareholders at the special general meeting of the Company scheduled to be held on 10 February 2000, a total of 924,000,000 convertible preference shares of HK\$0.10 each will be issued at a subscription price of HK\$0.33 per share. The convertible preference shares will be non-voting, redeemable and their holders will be 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 will rank in priority to the ordinary shares in the Company as to dividend. The net proceeds of the issue of the convertible preference shares will be used as additional working capital for the Company. The convertible preference shares will be 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 the date of their full issue 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 the date of issue of the convertible preference shares, 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 the time.

# Notes to Financial Statements

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## 33. RELATED PARTY TRANSACTIONS

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

	Notes	Group	
		1999 HK\$'000	1998 HK\$'000
Interest paid to the ultimate holding company under co-financing arrangement	(a)	40	5,753
Commission income received from the ultimate holding company under co-financing arrangement	(a)	122	4,389
Interest paid to a fellow subsidiary under co-financing arrangement	(a)	1,736	1,356
Interest paid to fellow subsidiaries for unsecured revolving credit facilities	(b)	66,832	74,556
Interest income from associates	(c)	2,353	2,285
Procurement fees paid to the immediate holding company	(d)	105	105
Provision for loss on amount due from an associate	(e)	-	6,351

- (a) These transactions arose from the co-financing arrangements with Public Bank, the ultimate holding company of the Company, and JCG Finance Company, Limited ("JCG Finance"), a fellow subsidiary of the Company. During the year, no new hire-purchase loan was granted by the Group under the co-financing arrangements with Public Bank (1998: HK\$9,792,000) and JCG Finance (1998: HK\$33,622,000). The directors consider that 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. Details of these transactions are set out under the "Connected transactions" section in the Report of the Directors.
- (b) The loan facilities granted by Public Bank (L) Ltd, a fellow subsidiary of the Company, and JCG Finance to a subsidiary and the Company, respectively, had been utilised to the extent of HK\$799,414,000 (1998: HK\$750,000,000) and HK\$55,000,000 (1998: HK\$6,000,000), respectively, during the year. The loans from Public Bank (L) Ltd bear interest at the Hong Kong prevailing market rates, and were utilised up to HK\$799,414,000 (1998: HK\$750,000,000) as at the balance sheet date. The loan from JCG Finance bears interest at the Hong Kong prevailing market rate and was utilised up to HK\$5,000,000 at the balance sheet date (1998: Nil).
- (c) The interest income from associates arose from loans, the details of which are disclosed in notes 15, 18 and 19 to the financial statements.
- (d) Pursuant to an agreement entered into between the Company and JCG Holdings Limited, the Company has committed to pay an annual procurement fee to JCG Holdings Limited in respect of procuring the services of certain directors for the Company. The basis of the fee is determined by the board of directors of the Company at the end of each financial year.
- (e) The amount represented provision for loss on the amount due from an associate, the recoverability of which is doubtful. Accordingly, full provision has been made in the prior year.

# Notes to Financial Statements

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## 34. COMPARATIVE FIGURES

As further explained in note 2 to the financial statements, due to the adoption of new SSAP 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.

## 35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 28 January 2000.

# Financial Summary

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## ASSETS AND LIABILITIES

	31 December				
	1999	1998	1997	1996	31 March 1996
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	1,713,905	1,914,793	2,257,324	1,539,035	1,186,045
Total liabilities	(1,023,580)	(1,158,846)	(1,343,050)	(644,746)	(319,432)
Minority interests	12	(5)	(7)	(815)	(888)
Shareholders' funds	690,337	755,942	914,267	893,474	865,725

  

	Period from				
	Year ended 31 December 1999	Year ended 31 December 1998	Year ended 31 December 1997	1 April 1996 to 31 December 1996	Year ended 31 March 1996
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net profit/(loss) attributable to shareholders	(65,605)	(154,125)	50,193	73,813	78,079
Basic earnings/(loss) per share	(15.6 cents)	(36.7cents)	12.0 cents	17.6 cents	18.6 cents

The summaries of results and assets and liabilities presented above have been extracted from the published financial statements of the Company, after adjusting for the effect of the prior year adjustment in respect of the change in accounting policy relating to recognition of commission expenses and commission income for the period ended 31 December 1996.