

Notes to Financial Statements

31 December 2000

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 taxi financing loans, the provision of personal and short term loans, trading of taxi cabs and taxi licences, and leasing of taxis. 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. 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 revaluation of investment properties and inventories, 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 2000. 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 those considered to be temporary in nature by the directors.

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 over 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 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, 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.

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.

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.

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 benefits 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' relevant income from the Group 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 mandatory contributions are fully vested with the employee.

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 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.

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) 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".

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.

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.

3. TURNOVER

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

	Group	
	2000	1999
	HK\$'000	HK\$'000
Taxi trading and related operations	120,887	94,796
Others	4,824	18,111
	125,711	112,907

4. INTEREST INCOME

Included in interest income were an amount of HK\$15,756,000 (1999: Nil) from a fellow subsidiary and an aggregate amount of HK\$961,000 (1999: HK\$2,353,000) from associates.

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

	Group	
	2000	1999
	HK\$'000	HK\$'000
Ultimate holding company	-	40
A fellow subsidiary	-	1,736
Others	2,452	20,705
	<hr/>	<hr/>

5. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is arrived at

	Group	
	2000	1999
	HK\$'000	HK\$'000
after charging:		
Amortisation and write off of commission expenses	13,128	39,119
Staff costs		
Salaries and related costs	8,800	10,951
Pension contributions	21	-
Auditors' remuneration	813	882
Depreciation	2,290	2,833
Loss on disposal of fixed assets	-	24
Operating lease rentals on land and buildings	-	504
Provision against amount due from an associate	1,054	-
Provision for bad and doubtful debts	70,398	109,448
and after crediting:		
Gain on disposal of fixed assets	30	-
Gross rental income less outgoings	2,567	2,317
	<hr/>	<hr/>

Included in salaries and related costs is rent paid to a fellow subsidiary of HK\$117,000 (1999: Nil).

An analysis of the Group's contribution to profit from operating activities by principal activities is disclosed pursuant to Appendix 16 of the Listing Rules as follows:

	2000	1999
	HK\$'000	HK\$'000
Taxi trading and related operations	29,411	7,554
Others	2,612	10,220
	32,023	17,774
Financing and related business	80,278	29,470
Expenses:		
General and administrative	(19,026)	(20,497)
Contribution after general and administrative expenses	93,275	26,747

6. FINANCE COSTS

The finance costs represent the following:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Interest expense on:		
Bank loans and overdrafts	11,746	24,826
Loans from fellow subsidiaries wholly repayable within five years	73,361	66,832
	85,107	91,658

7. DIRECTORS' REMUNERATION

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

	Group	
	2000	1999
	HK\$'000	HK\$'000
Fees:		
Executive	105	-
Non-executive	140	70
Independent non-executive	140	140
	385	210
Overprovision in prior year	(17)	-
	368	210

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

	2000	1999
	Number of directors	Number of directors
Nil - HK\$1,000,000	<u>7</u>	<u>8</u>

8. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals in 2000 and 1999 did not include any directors. The remuneration of these five (1999: five) highest paid individuals was analysed and fell within the band set out below.

	2000	1999
	HK\$'000	HK\$'000
Basic salaries, housing, other allowances and benefits in kind	2,857	2,834
Bonuses paid and payable	231	231
	<u>3,088</u>	<u>3,065</u>

	2000	1999
	Number of individuals	Number of individuals
Nil - HK\$1,000,000	<u>5</u>	<u>5</u>

9. TAX

Hong Kong profits tax has been provided at the rate of 16% (1999: 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 and elsewhere during the year.

10. 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 is HK\$15,231,000 (1999: HK\$6,161,000).

11. DIVIDENDS

	2000	1999	2000	1999
	Cents per convertible preference share		HK\$'000	HK\$'000
1st semi-annual	0.5917	-	5,468	-
2nd semi-annual	0.9050	-	8,362	-
	1.4967	-	13,830	-

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

No interim dividend of the Company was declared to the ordinary shareholders for the year (1999: Nil). The Board of Directors does not recommend the payment of final dividend to the ordinary shareholders for the year (1999: Nil).

12. LOSS PER SHARE

(i) Basic loss per share

The calculation of loss per share is based on the net loss attributable to shareholders (after payment of convertible preference shares dividends which have been regarded as an expense) for the year of HK\$8,954,000 (1999: HK\$65,605,000) and 420,000,000 (1999: 420,000,000) ordinary shares in issue throughout the year.

(ii) Diluted loss per share

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.

Diluted loss per share for the year ended 31 December 1999 has not been calculated as no diluting events existed during that year.

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	16,048	2,335	110,934
Additions	-	-	92	-	92
Disposals	-	-	-	(1,204)	(1,204)
At 31 December 2000	29,508	63,043	16,140	1,131	109,822
Accumulated depreciation:					
At beginning of year	-	8,195	12,700	2,335	23,230
Provided during the year	-	1,501	789	-	2,290
Disposals	-	-	-	(1,204)	(1,204)
At 31 December 2000	-	9,696	13,489	1,131	24,316
Net book value:					
At 31 December 2000	29,508	53,347	2,651	-	85,506
At 31 December 1999	29,508	54,848	3,348	-	87,704

Company	Furniture, fixtures and equipments HK\$'000
Cost:	
At beginning of year	4,903
Additions during the year	-
At 31 December 2000	4,903
Accumulated depreciation:	
At beginning of year	4,861
Provided during the year	34
At 31 December 2000	4,895
Net book value:	
At 31 December 2000	8
At 31 December 1999	42

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

	Group 2000 HK\$'000
At cost:	
Medium term leases	7,233
Long term leases	55,810
	63,043

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

	Group 2000 HK\$'000
At valuation:	
Medium term leases	350
Long term leases	<u>29,158</u>
	<u><u>29,508</u></u>

The Group's investment properties, which are situated in Hong Kong and are held under medium and long term leases, were revalued on 21 December 2000 by Chung Sen Surveyors Limited, an independent professional valuer at an open market value based on their existing use. Certain of the Group's investment properties, with a carrying value of HK\$29,158,000, were revalued at HK\$29,300,000. As the directors are of the opinion that the revaluation surplus amount is immaterial, the carrying value of the properties has not been 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 an aggregate carrying value of approximately HK\$82,287,000 at the balance sheet date (1999: HK\$83,764,000), were pledged to secure banking facilities granted to the Group (notes 21 and 22).

14. INTERESTS IN SUBSIDIARIES

	2000 HK\$'000	1999 HK\$'000
Unlisted shares	273,984	273,984
Amount due from a subsidiary	<u>470,174</u>	468,772
	<u><u>744,158</u></u>	<u>742,756</u>

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\$ US\$1	Percentage of equity attributable to the Company		Principal activities
		Directly	Indirectly	
Eastwood Overseas Corporation		-	100	Investment holding
Eternal Success Company Limited	20	-	100	Property holding
Keytop Investment Limited	2	-	100	Dormant
Lion Crown Company Limited (note 30)	20	-	100	Dormant
Shuning Shing Limited (note 30)	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
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 Holdings (Bermuda) Limited	36			

Winton Restaurant Limited	20	-	100	Investment holding
Winton Trading Company Limited	20	-	100	Trading of automobile accessories and spare parts
Worthy Park Company Limited (note 30)	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.

15. INTERESTS IN ASSOCIATES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Share of net assets, other than goodwill	5,932	8,550
Amount due from an associate	-	6,351
	5,932	14,901
Provision against amount due from an associate	-	(6,351)
	5,932	8,550

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
			2000	1999	
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

The Group's 40% interest in Zhuhai Winton Restaurant Limited was disposed of on 16 November 2000.

16. LOAN INSTALMENT RECEIVABLES AND LOAN RECEIVABLES

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

Certain of the loan instalment receivables were pledged to secure banking facilities of HK\$145,000,000 (1999: HK\$160,271,000). As at 31 December 2000, no such facilities were utilised (1999: HK\$106,158,000).

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	
	2000	1999
	HK\$'000	HK\$'000
Maturing:		
Within one year	49,071	109,019
One year to three years	85,694	79,920
Three years to five years	130,008	132,834
Over five years	948,949	1,235,173
	1,213,722	1,556,946
Less:		
Provision	44,269	83,693
	1,169,453	1,473,253

17. INVENTORIES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Taxi cabs and taxi licences	24,937	29,280
Others	3	2,329
	24,940	31,609

None of the above inventories is carried at net realisable value (1999: HK\$2,157,000).

At 31 December 2000, the carrying value of inventories of the Group pledged as security for bank borrowings and other loans amounted to HK\$22,496,000 (1999: HK\$20,731,000) (note 21).

18. OTHER RECEIVABLES

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepayments, deposits and other receivables	124,289	75,459	356	115
Dividend receivable	-	-	-	6,795
Due from fellow subsidiaries	235	-	196	-
Due from an associate	7,280	10,290	-	-
	131,804	85,749	552	6,910

Amount due from fellow subsidiaries comprises an amount of HK\$196,000 being interest receivable in respect of deposits placed with a fellow subsidiary and a rental deposit of HK\$39,000.

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

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and balances with banks and other financial institutions	4,616	1,459	9	20
Money at call and short notice	64,109	-	5,286	-
Placements with banks and financial institutions	300,000	-	300,000	-
	368,725	1,459	305,295	20

Placements with banks and financial institutions are deposits placed with a fellow subsidiary, which is a bank.

20. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accounts payables and other accrued liabilities	24,726	21,481	842	888
Interest payable to a fellow subsidiary	678	-	-	-
Rental deposit received from a fellow subsidiary	26	-	-	-
Due to a fellow subsidiary	35	130	-	-
Due to the immediate holding company	-	105	-	-
	25,465	21,716	842	888

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

In prior year, the amount due to the immediate holding company represented procurement fees for directors payable by the Group. The balance was unsecured, interest-free and was repayable on demand.

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

	Notes	Group		Company	
		2000	1999	2000	1999
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank overdrafts	22	-	4,395	-	-
Current portion of bank loans	22	15,458	104,159	-	-
Loan from a fellow subsidiary	22	-	5,000	-	5,000
		15,458	113,554	-	5,000

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

	Note	Group		Company	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank overdrafts:					
Secured		-	4,395	-	-
Bank loans:					
Secured		15,458	175,392	-	-
Loans from fellow subsidiaries:					
Unsecured		749,414	804,414	-	5,000
		764,872	984,201	-	5,000
Bank overdrafts repayable within one year or on demand		-	4,395	-	-
Bank loans repayable:					
Within one year		15,458	104,159	-	-
In the second year		-	71,233	-	-
		15,458	175,392	-	-
Loans from fellow subsidiaries repayable:					
Within one year		-	5,000	-	5,000
In the second year		749,414	799,414	-	-
		749,414	804,414	-	5,000
		764,872	984,201	-	5,000
Portion classified as current liabilities	21	(15,458)	(113,554)	-	(5,000)
Long term portion		749,414	870,647	-	-

The loans from a fellow subsidiary of HK\$749,414,000 are unsecured, interest-bearing at Hong Kong prevailing market rates and are repayable after one year.

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

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 (1999: HK\$29,508,000);
- (ii) First legal charges on certain leasehold land and buildings of the Group with an aggregate carrying value of approximately HK\$52,779,000 (1999: HK\$54,256,000);
- (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 carrying value in total of HK\$22,496,000 (1999: HK\$20,731,000) (note 17).

23. DEFERRED TAX

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

	Provided		Not recognised	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Commission expenses claimed over amount amortised	10,690	10,690	-	-
Unutilised tax losses	-	-	(134,768)	(117,842)
	10,690	10,690	(134,768)	(117,842)

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.

24. SHARE CAPITAL

	2000 HK\$'000	1999 HK\$'000
Authorised:		
2,000,000,000 (1999: 500,000,000) ordinary shares of HK\$0.10 each	200,000	50,000
924,000,000 convertible preference shares of HK\$0.10 each	92,400	-
	292,400	50,000
Issued and fully paid:		
420,000,000 ordinary shares of HK\$0.10 each	42,000	42,000
924,000,000 convertible preference shares of HK\$0.10 each	92,400	-
	134,400	42,000

During the year, the following movements in share capital were recorded:

- (a) Pursuant to an ordinary resolution passed on 10 February 2000, the authorised share capital of the Company was increased from HK\$50,000,000 to HK\$292,400,000 by the creation of 1,500,000,000 additional ordinary shares of HK\$0.10 each, ranking pari passu in all respects with the then existing ordinary shares of the Company, and the creation of 924,000,000 convertible preference shares of HK\$0.10 each.

- (b) On 3 March 2000, the Company issued 924,000,000 convertible preference shares of HK\$0.10 each at a subscription price of HK\$0.33 per convertible preference share for a total cash consideration, before expenses, of HK\$304,920,000. 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 the ordinary shares in the Company as to dividend. 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. The proceeds were used as general working capital of the Group.

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.

25. RESERVES

	Share premium account HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Group					
At 1 January 1999	415,859	260,007	(1,992)	40,068	713,942
Loss for the year 1999	-	-	-	(65,605)	(65,605)
At 31 December 1999 and at beginning of year	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)
Loss for the year	-	-	-	(8,954)	(8,954)
At 31 December 2000	627,270	260,007	(1,992)	(34,491)	850,794
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
Reserves retained by:					
Company and subsidiaries	415,859	260,007	-	2,951	678,817
Associates	-	-	(1,992)	(28,488)	(30,480)
At 31 December 1999	415,859	260,007	(1,992)	(25,537)	648,337

	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
Company				
At 1 January 1999	415,859	247,734	31,680	695,273
Profit for the year 1999	-	-	6,161	6,161
At 31 December 1999 and beginning of year	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	-	-	1,401	1,401
At 31 December 2000	627,270	247,734	39,242	914,246

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 out of the contributed surplus in certain circumstances.

26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2000	1999
	HK\$'000	HK\$'000
Profit/(loss) after finance costs	8,168	(64,911)
Amortisation and write-off of commission expenses	13,128	39,119
Provision for bad and doubtful debts	70,398	109,448
Provision against amount due from an associate	1,054	-
Provision for (gain)/diminution in value of inventories of taxi licences	(24)	24
Depreciation	2,290	2,833
(Gain)/loss on disposal of fixed assets	(30)	24
Decrease in provision for long service payments	(101)	(1,076)
Decrease in amount due from an associate	1,956	608
Decrease in loan instalment receivables	236,976	10,235
Decrease in deferred expenditure	3,946	6,150
Decrease in loan receivables	16,501	35,751
Decrease in trade receivables	811	1,402
Decrease in inventories	6,693	44,064
Increase in prepayments, deposits and other receivables	(68,543)	(49,486)
Decrease in amount due from the ultimate holding company	-	250
Decrease in amount due to the ultimate holding company	-	(96)
Increase/(decrease) in account payables and other accrued liabilities	3,202	(18,328)
Decrease in interest-bearing bank loans and other loans	(214,934)	(94,588)
Increase/(decrease) in amount due to fellow subsidiaries and the immediate holding company	504	(15,204)
Increase in amount due from fellow subsidiaries	(235)	-
Net cash inflow from operating activities	81,760	6,219

(b) Analysis of changes in financing during the year

	Share capital (including share premium) HK\$'000	Mortgage loan HK\$'000
Balance at 1 January 1999	457,859	5,000
Repayment during the year 1999	-	(5,000)
Balance at 31 December 1999 and at 1 January 2000	457,859	-
Cash inflow/(outflow) from financing activities, net		
Issue of convertible preference shares	304,920	-
Share issue expenses	(1,109)	-
Balance at 31 December 2000	761,670	-

27. COMMITMENTS

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(a) Capital commitments:				
Contracted for, but not provided in respect of purchases of fixed assets	-	-	-	-
(b) Annual commitments payable under non-cancellable operating leases in respect of land and buildings expiring in the second to fifth years, inclusive	234	180	234	180

28. CONTINGENT LIABILITIES

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(a) Guarantees given to banks to secure credit facilities of subsidiaries	-	-	599,000	1,138,200
Extent of the guaranteed credit facilities utilised at the balance sheet date	-	-	-	136,935
(b) Guarantees under co-financing arrangements given to:				
Ultimate holding company	770	770	770	770
Other co-financing banks	9,186	29,414	-	-
	9,956	30,184	770	770

- (c) Various ex-employees of the restaurants formerly operated by four subsidiaries of the Group had served summonses in July 2000 to the subsidiaries seeking to file their respective statements of claim. These and other related matters will come up for hearing in early 2001. In the statements of claim sought to be filed, the ex-employees (save for one ex-employee in one of the subsidiaries) are seeking declarations against the subsidiaries rather than claiming specific amounts. In view of the financial position of the subsidiaries and having considered the advice of legal advisers, the directors of three of the above subsidiaries have resolved to put their respective companies into creditors' voluntary liquidation. As regards the claims against the remaining subsidiary, based on legal advice, these will continue to be defended (*note 30*).

- (d) As at the balance sheet date, a wholly-owned subsidiary of the Group, was named as second defendant in a legal action initiated by an individual claiming a sum of approximately HK\$12,537,952 for damages and loss of future earnings relating to injuries sustained by the said individual in a traffic accident involving a taxi owned by and leased by the said subsidiary to a taxi hirer at the time of the accident. The taxi was covered under a third party insurance policy and the claim is being attended by the insurance company. Accordingly, no provision in respect thereof has been made.

29. RELATED PARTY TRANSACTIONS

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

	Notes	Group 2000 HK\$'000	1999 HK\$'000
Interest paid to the ultimate holding company	(a)	-	40
Commission income received from the ultimate holding company	(a)	76	122
Interest paid to a fellow subsidiary	(a)	-	1,736
Commission income received from a fellow subsidiary	(a)	-	414
Interest and related facility fee paid to fellow subsidiaries for unsecured revolving credit facilities	(b)	73,391	66,932
Interest income from associates	(c)	961	2,353
Procurement fees paid to the immediate holding company	(d)	-	105
Provision for loss on amount due from an associate	(e)	1,054	-
Charge for IT support paid to a fellow subsidiary	(f)	152	213
Rent paid to a fellow subsidiary	(g)	117	-
Rent received from a fellow subsidiary	(h)	79	-
Commission income received from a fellow subsidiary	(i)	353	-
Commission income received from the ultimate holding company for referrals of floating rate loans	(j)	28	-
Interest income from a fellow subsidiary	(k)	15,756	-

- (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 hire purchase loans were granted by the Group under the co-financing arrangements with Public Bank (1999: Nil) and JCG Finance (1999: Nil). 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. Further details of these transactions are set out under the "Connected transactions" section in the Report of the Directors.

- (b) The unsecured revolving loan facilities of HK\$800,000,000 (1999: HK\$800,000,000) granted by Public Bank (L) Ltd, a wholly-owned subsidiary of Public Bank, to a subsidiary of the Company were utilised to the extent of HK\$799,414,000 during the year (1999: HK\$799,414,000), and up to HK\$749,414,000 as at 31 December 2000 (1999: HK\$799,414,000). During the year, the unsecured revolving loan facility granted by JCG Finance to the Company was reduced to HK\$30,000,000 (1999: HK\$100,000,000). The facility was utilised to the extent of HK\$5,000,000 (1999: HK\$55,000,000), and as at 31 December 2000, the facility was not utilised (1999: HK\$5,000,000). The facility fee for the loan facility from JCG Finance, and interests on the loan facilities from Public Bank (L) Ltd and JCG Finance were based on prevailing market rates.
- (c) The interest income from associates arose from loans granted to the associates, further details of which are disclosed in notes 15 and 18 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 was determined by the board of directors of the Company at the end of each financial year. The agreement expired on 31 December 1999.
- (e) The amount related to a provision for estimated losses on the amount due from an associate, the recoverability of which is doubtful. Accordingly, full provision has been made during the year.
- (f) The charge for IT services related to the IT support services provided by the Information Technology Department of JCG Finance which was charged based on cost apportionment per man day.
- (g) The rental expense was paid to JCG Finance for leasing a property to the Company as staff quarters, for a period of two years at a monthly rental of HK\$19,500, commencing from 3 July 2000.
- (h) 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.
- (i) The commission income received from referrals of floating rate hire-purchase loans to JCG Finance was determined based on market practice.
- (j) The commission income received from referrals of floating rate hire-purchase loans to Public Bank was determined based on market practice.
- (k) The interest income was received from fixed deposits placed with Public Bank (L) Ltd at the prevailing market rates.

30. POST BALANCE SHEET EVENTS

Three subsidiaries of the Group, namely Lion Crown Company Limited, Shuning Shing Limited and Worthy Park Company Limited which have been dormant, resolved on 16 January 2001 to wind up the respective companies under section 241 of the Companies Ordinance. The above is not expected to have a significant impact on the financial position of the Group (note 28(c)).

31. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 20 January 2001.