

Management Discussion and Analysis

FINANCIAL RESULTS

For the year ended 31 December 2000, Winton Holdings (Bermuda) Limited and its subsidiaries (the "Group") recorded a profit from operating activities before finance costs of HK\$93.3 million, as compared to HK\$26.7 million recorded in the previous financial year.

After taking into account finance costs of HK\$85.1 million, the Group achieved a profit after tax and minority interests of HK\$4.9 million for the year ended 31 December 2000, a sharp rebound from a loss after tax and minority interests of HK\$65.6 million in the previous financial year.

The turnaround in profits was mainly attributed to a sharp decline in provisions for bad and doubtful debts by 35.6% or HK\$39.0 million to HK\$70.4 million, a reduction in finance costs by 7.2% or HK\$6.6 million to HK\$85.1 million, and a sharp decrease in amortisation and write off of commission expenses by 66.4% or HK\$26.0 million to HK\$13.1 million.

The Directors do not recommend the payment of a final dividend to the ordinary shareholders for the year ended 31 December 2000.

BUSINESS PERFORMANCE

The gradual recovery of Hong Kong's economy and the continued improvement in the market conditions of the taxi industry have contributed to the improvement in the taxi licence prices during the year. Coupled with the improvement in the income level of the taxi hirers under the taxi financing loans, the Group recorded lower default on its taxi financing loans. As a result, the Group's provisions for doubtful debts fell to HK\$70.4 million in 2000, from HK\$109.4 million in 1999.

During the year, the Group also focused on its taxi trading operations and increased its commission income by referring taxi financing loans to its panel of financiers.

During the year, the Group wrote off HK\$91.0 million in defaulted taxi financing loans. After netting off provisions for bad and doubtful debts, and taking into account loan repayments and early settlements, the Group's taxi loan instalment receivables stood at HK\$1,142.9 million as at 31 December 2000, a decrease of HK\$286.6 million when compared with HK\$1,429.5 million as at 31 December 1999. The Group's interest income declined to HK\$163.6 million in 2000 from HK\$176.5 million in 1999 mainly due to the decline in taxi loan instalment receivables. Interest income derived from the proceeds of the convertible preference shares issued during the year narrowed the decrease of interest income to 7.3% or HK\$12.9 million.

As at 31 December 2000, the Group's bank borrowings fell to HK\$764.9 million from HK\$984.2 million as at end of 1999. Consequently, the Group's finance costs decreased to HK\$85.1 million in 2000 from HK\$91.7 million in 1999.

General and administration expenses of the Group were also reduced by HK\$1.5 million in 2000 when compared to 1999 mainly through further cost rationalisation, while the Group's amortisation and write off of commission expenses dropped by HK\$26.0 million to HK\$13.1 million in 2000 from HK\$39.1 million in 1999, as the volume of new taxi financing loans continued to contract in the year.

LIQUIDITY AND FUNDING REQUIREMENTS

During the year, the Group issued 924,000,000 convertible preference shares at a subscription price of HK\$0.33 per convertible preference share. Accordingly, the Group's shareholders' funds was increased to HK\$985.2 million as at 31 December 2000 as compared to HK\$690.3 million as at 31 December 1999.

Taking into account the net proceeds from the issuance of convertible preference shares, loan repayments and early settlements of taxi financing loans, the Group's cash and cash equivalents increased to HK\$368.7 million at the end of year 2000 from HK\$1.5 million at the end of 1999. The Group's cash and cash equivalents increased despite having repaid HK\$219.3 million of its bank borrowings. As at 31 December 2000, the Group's bank borrowings declined to HK\$764.9 million, of which HK\$749.4 million were classified as long term, repayable after one year.

Based on the total bank borrowings and shareholders' funds, the Group's gearing ratio improved to 0.78 in 2000 as compared to 1.43 in 1999.

The holders of the convertible preference shares are entitled to receive a fixed cumulative preferential dividend at the rate of 5.5% per annum on the notional value of HK\$0.33 per convertible preference share up to the maturity date of the said share, which is the fifth anniversary from the date of issue on 3 March 2000. With the net cash proceeds of approximately HK\$303 million in place, the Group is well positioned to grow its taxi trading and taxi financing businesses.

During the year, other than those disclosed in the financial statements in 1999, the Group did not create additional charges on its assets to secure new banking facilities. During the same period, the Group also did not incur any material capital expenditure commitment.

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

HUMAN RESOURCES

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

CONTINGENT LIABILITIES

Under the co-financing arrangements, the Group provides guarantees to its co-financing banks for certain taxi financing loans. At the end of 2000, the outstanding guarantees given to the co-financing banks decreased to HK\$10.0 million from HK\$30.2 million as at the end of 1999.

As at 31 December 2000, the Company's corporate guarantees extended to certain banks as security for banking facilities to the Group decreased to HK\$599.0 million from HK\$1,138.2 million as at the end of 1999.

During the year, various ex-employees of the restaurants formerly operated by four subsidiaries of the Group had served summonses to these subsidiaries seeking to file their respective statements of claim. The ex-employees (save for one ex-employee in one of the subsidiaries) are seeking declarations against the subsidiaries rather than claiming for specific amounts. In view of the financial position of the subsidiaries, the directors of three of the above subsidiaries have resolved to put their respective companies into creditors' voluntary liquidation. As regards to the claims against the remaining subsidiary, based on legal advice, these will continue to be defended.

During the year, a subsidiary of the Group was named as second defendant in a legal action brought by an individual who sustained injuries in a traffic accident involving a taxi owned and leased by the said subsidiary to a taxi hirer at the time of the accident. The said subsidiary had taken a third party insurance, and the claim is being attended by the insurance company.