

Financial Results

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

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

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

Business Performance

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

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

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

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

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

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

Management Discussion and Analysis

Liquidity and Capital Expenditures

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

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

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

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

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

Human Resources

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

Contingent Liabilities

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

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

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