

Financial Results

The Group recorded a profit after tax and minority interests of HK\$35.6 million for the financial year ended 31 December 2002, as compared to a profit after tax and minority interests of HK\$73.0 million in the previous year.

The decrease in the Group's net profit of 51.2% or HK\$37.4 million was mainly attributed to a decrease of 65.8% or HK\$81.2 million in interest income mainly due to lower volume of early settlements of taxi financing loans and a contraction in its loans and advances, and a decrease of 36.2% or HK\$11.8 million in gross profit mainly due to a decrease in commission income from lower number of taxi financing loans referred to the Group's panel of financiers for taxi financing loans. A reduction in the Group's finance costs of 95.4% or HK\$28.8 million following full repayment of the Group's bank borrowings and a decrease in provision for bad and doubtful debts of 69.2% or HK\$17.5 million due to lower default in taxi financing loans helped to narrow the above decrease in net profit for the year.

The directors do not recommend the payment of a final dividend to the ordinary shareholders for the year ended 31 December 2002 (2001: 7 cents).

Business Performance

In 2002, taxi financing activities of the Group have slowed down considerably when compared to the previous year during which a majority of the taxi owners and hirers converted their diesel taxis to liquefied petroleum gas taxis. The conversion to liquefied petroleum gas taxis in the previous year had generated a significant volume of taxi financing business to the Group then.

During the year, the prices of taxi licences have remained stable, and the hirers have benefited from fuel cost savings after converting their diesel taxis to liquefied petroleum gas taxis, and from lower interest rates on taxi financing loans upon re-financing such loans. Coupled with the relatively stable takings from driving taxis and/or rental income from leasing taxis, taxi owners and hirers were capable of and have been servicing their taxi financing loans, which have resulted in fewer defaults in the taxi financing loans of the Group in 2002. Consequently, provision for bad and doubtful debts fell by HK\$17.5 million to HK\$7.8 million.

However, during the year, the Group's gross profit decreased by HK\$11.8 million mainly due to decrease in commission income from lower number of referrals of taxi financing loans to the Group's panel of financiers. The Group's interest income fell by HK\$81.2 million mainly due to lesser early settlements of taxi financing loans and decline in loans and advances by HK\$97.3 million.

During the year, the Group repaid all of its bank borrowings resulting in a reduction of finance costs by HK\$28.8 million. The Group also disposed of its interest in an associated company and recorded an income of HK\$3.6 million from reversal of provisions made in the preceding year.

The Group's loans and advances net of provision for bad and doubtful debts decreased by 20.3% or HK\$97.3 million to HK\$381.0 million as at 31 December 2002 from HK\$478.3 million a year ago. The decrease was mainly due to the low volume of new taxi financing loans booked during the year which was insufficient to offset the decline arising from early settlements of taxi financing loans as well as bad debts write off of HK\$15.4 million for defaulted taxi financing loans at the end of 2002.

Liquidity and Capital Expenditure

The Group's shareholders' fund stood at HK\$1,033.1 million as at 31 December 2002.

The Group has fully repaid its bank borrowings of HK\$200.0 million from its internally generated funds in the first half of the year, giving rise to a nil gearing ratio as at 31 December 2002 as compared to 0.19 at the end of 2001.

At the end of 2002, the cash and cash equivalents of the Group amounted to HK\$469.4 million, of which HK\$89.6 million has been earmarked for the Group's proposed privatisation of the Company under the scheme of arrangement. The remaining available funds will be used for the Group's future general working capital.

Liquidity and Capital Expenditure (Continued)

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 business 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 and individual staff performance, discretionary bonus may be granted to eligible staff. Staff training and development programmes are conducted from time to time. Social activities are also organised from time to time to foster team spirit amongst the staff. The number of employees under the employment of the Group has remained stable.

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 2002, the outstanding guarantees given to the co-financing banks decreased to HK\$0.8 million as compared to HK\$1.7 million at the end of 2001.

The Group has also issued letters of undertaking to one of its panel of financiers for taxi financing loans to refund surplus sale proceeds from disposal of taxi licences and taxi cabs which were repossessed from defaulted taxi hirers under the security arrangement for term loans granted to these hirers. At the end of 2002, the letters of undertaking issued by the Group remained unchanged at HK\$2.0 million.

Corporate Development

The Company had announced on 3 December 2002 a proposed privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act 1981 of Bermuda (the "Proposal"). The Court Meeting and Special General Meeting have been scheduled on 27 February 2003 for purpose of considering, and if thought fit, passing a resolution to approve the Proposal. Upon the Proposal becoming effective, the Company will become a wholly-owned subsidiary of JCG Holdings Limited ("JCG"), and the listing of the Company on The Stock Exchange of Hong Kong Limited would be withdrawn accordingly.