



WINTON HOLDINGS (BERMUDA) LIMITED

(Incorporated in Bermuda with limited liability)
(Website: www.wintonholdings.com.hk)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2002

INTERIM RESULTS

The Board of Directors of Winton Holdings (Bermuda) Limited (the "Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2002 with comparative figures are as follows:

Condensed Consolidated Income Statement

	For the six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Turnover	84,636	81,768
Cost of sales	(73,378)	(64,032)
GROSS PROFIT	11,258	17,736
Interest income	23,515	77,284
Other operating income	857	1,545
Operating expenses	(12,900)	(35,966)
PROFIT FROM OPERATING ACTIVITIES	22,730	60,599
Finance costs	(1,419)	(25,226)
Share of results of associates	—	(1,150)
PROFIT BEFORE TAX	21,311	34,223
Tax	—	(502)
PROFIT BEFORE MINORITY INTERESTS	21,311	33,721
Minority interests	4	1
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	21,315	33,722
DIVIDENDS	6	—
Convertible Preference Shares	(7,800)	(8,362)
EARNINGS PER SHARE (cents)	7	—
Basic	3.1	6.0
Diluted	1.6	2.5

Condensed Consolidated Statement of Changes in Equity

	1 January 2001 (Audited) HK\$'000		30 June 2001 (Unaudited) HK\$'000	
	Movements		Movements	
Share capital	134,400	—	134,400	—
Share premium account	627,270	—	627,270	—
Contributed surplus	260,007	—	260,007	—
Translation reserve	(1,992)	—	(1,992)	—
Retained profits	(34,491)	25,360	(9,131)	—
	985,194	25,360	1,010,554	—
	1 January 2002 (Audited) HK\$'000	Movements	30 June 2002 (Unaudited) HK\$'000	
Share capital	134,400	—	134,400	—
Share premium account	627,270	—	627,270	—
Contributed surplus	260,007	—	260,007	—
Translation reserve	(1,992)	—	(1,992)	—
Retained profits	(7,716)	13,515	5,799	—
Proposed dividend	29,400	(29,400)	—	—
	1,041,369	(15,885)	1,025,484	—

Condensed Consolidated Balance Sheet

	30 June 2002 (Unaudited) HK\$'000		31 December 2001 (Audited) HK\$'000	
	Notes			
NON-CURRENT ASSETS				
Fixed assets		50,333	51,399	
Investment properties		35,602	35,602	
Interests in associates		—	—	
Long-term loan instalment receivables	8	387,024	438,602	
Deferred expenditure		62	257	
		473,021	525,860	
CURRENT ASSETS				
Loan instalment receivables	8	24,396	25,138	
Loan receivables	8	14,470	14,534	
Inventories		18,524	18,300	
Other receivables	9	98,450	114,027	
Tax recoverable		2,346	2,281	
Cash and cash equivalents		430,969	582,315	
		589,155	756,595	
CURRENT LIABILITIES				
Other payables and accruals	10	22,301	26,683	
NET CURRENT ASSETS		566,854	729,912	
TOTAL ASSETS LESS CURRENT LIABILITIES		1,039,875	1,255,772	
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings		—	200,000	
Provision for long service payments		4,567	4,575	
Deferred tax		9,690	9,690	
		14,257	214,265	
MINORITY INTERESTS		134	138	
		1,025,484	1,041,369	
CAPITAL AND RESERVES				
Share capital	11	134,400	134,400	
Reserves		891,084	877,569	
Proposed dividend		—	29,400	
		1,025,484	1,041,369	

Notes to the Condensed Consolidated Financial Statements

1. Statement of compliance and accounting policies

The 2002 Interim Report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited and the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The accounting policies and basis of preparation adopted in the 2002 Interim Report are consistent with those adopted in the Group's audited 2001 annual financial statements except for the adoption of the new SSAP 15 (Revised) "Cash Flow Statements" and SSAP 34 "Employee Benefits", the impact of which is summarised as follows:

- SSAP 15 (Revised) "Cash Flow Statements" prescribes the provision of information about the historical changes in cash and cash equivalents. The condensed consolidated cash flow statement for the current interim period and the comparative figures are presented in accordance with the revised SSAP.
- SSAP 34 "Employee Benefits" prescribes the accounting and disclosure for employee benefits. This SSAP has had no major impact on these financial statements.

2. Segment information

The Group's turnover and contribution to profit from operations before finance costs by principal activities are analysed as follows:

	For the six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Segment turnover		
Taxi trading and related operations	82,883	79,785
Others	1,753	1,983
	84,636	81,768
Segment result		
Taxi trading and related operations	6,703	14,468
Others	1,373	(1,194)
	8,076	13,274
Financing and related business	14,654	47,325
	22,730	60,599

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 the Hong Kong SAR. Over 90% of the Group's operating income, results, assets, liabilities, off-balance sheet commitments and exposures are derived from operations carried out in Hong Kong.

3. Profit from operating activities

Profit from operating activities was determined after charging the following:

	For the six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Depreciation	1,068	1,127
Amortisation and write-off of commission expenses	76	10
Provision for bad and doubtful debts	3,766	17,785
Provision against an amount due from an associate	—	6,700

4. Finance costs

	For the six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
The finance costs represent interest on:		
Bank loans and overdrafts	—	438
Loans from fellow subsidiaries wholly repayable within 5 years	1,084	24,420
Others	335	368
	1,419	25,226

5. Tax

No Hong Kong profits tax has been provided for as the Group has tax losses available to offset the assessable profit for the period.

Tax for the period ended 30 June 2001 represented Hong Kong profits tax provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the period.

No deferred tax has been provided for the period as there were no significant timing differences at the period end date (2001: Nil).

No Hong Kong or overseas profits tax has been provided for associates as the associates did not generate any assessable profits in Hong Kong or elsewhere during the period (2001: Nil).

6. Dividends

Convertible preference shares

	For the six months ended 30 June		2001	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Cents per convertible preference share				
1st semi-annual	0.8901	0.9050	7.800	8.362

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

Ordinary shares

The Board of Directors has resolved not to pay any interim dividend to the ordinary shareholders for the six months ended 30 June 2002 (2001: Nil).

7. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders (after deduction of dividends on convertible preference shares) for the period of HK\$13,515,000 (2001: HK\$25,360,000) and the weighted average number of 429,583,000 (2001: 420,000,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2002 is based on the net profit attributable to shareholders for the period of HK\$21,315,000 (2001: HK\$33,722,000). The weighted average number of ordinary shares used in the calculation is the weighted average number of 429,583,000 (2001: 420,000,000) ordinary shares in issue during the period and the weighted average number of 914,417,000 (2001: 924,000,000) ordinary shares deemed converted at no consideration from the exercise of all convertible preference shares to ordinary shares during the period.

8. Loan instalment receivables and loan receivables

Loan instalment receivables and loan receivables, which represent the amounts receivable from the Group's financing business in Hong Kong including interest receivables, are shown net of unearned interest. The balance was mainly secured by taxi licences and taxi cabs. Amounts receivable within one year are shown under current assets.

The maturity profile of loan instalment receivables and loan receivables as at 30 June 2002 and 31 December 2001 is analysed by the remaining periods to their contractual maturity dates as follows:

	30 June 2002 (Unaudited) HK\$'000		31 December 2001 (Audited) HK\$'000	
Maturing:				
Within one year	45,301	46,159	46,159	46,159
Over one year to three years	41,847	48,342	48,342	48,342
Over three years to five years	36,580	45,660	45,660	45,660
Over five years	340,541	376,612	376,612	376,612
	464,269	516,573	516,573	516,573
Less:				
Provision	38,379	38,299	38,299	38,299
	425,890	478,274	478,274	478,274

9. Other receivables

Included in other receivables were other debtors of HK\$94,941,000 (2001: HK\$98,505,000) which were secured by taxi licences, cash deposits and a property. Full provisions have been made for the unsecured portion. Also included in other receivables were trade receivables of HK\$13,000 (2001: HK\$19,000) after provision of HK\$3,775,000 (2001: HK\$605,000). As trade receivables were immaterial to the Group, the maturity profile thereof was not disclosed. The Group allows an average credit of 90 days to its trade debtors.

10. Other payables and accruals

No trade payables were included in other payables and accruals (2001: HK\$1,000).

11. Share capital

	Number of shares		HK\$'000	
Ordinary shares of HK\$0.10 each				
Authorised:				
At beginning and at end of the period	2,000,000,000	200,000		
Issued and fully paid:				
At 1 January 2002	420,000,000	42,000		
Conversion of convertible preference shares	47,738,000	4,774		
At 30 June 2002	467,738,000	46,774		
Convertible preference shares of HK\$0.10 each				
Authorised:				
At beginning and at end of the period	924,000,000	92,400		
Issued and fully paid:				
At 1 January 2002	924,000,000	92,400		
Exercise of conversion rights	(47,738,000)	(4,774)		
At 30 June 2002	876,262,000	87,626		

12. Operating lease arrangements

At 30 June 2002, the Group had total future minimum lease rental payables under non-cancellable operating leases falling due as follows:

	30 June 2002 (Unaudited) HK\$'000		31 December 2001 (Audited) HK\$'000	
Within one year	192	117	—	—
In the second to fifth years, inclusive	192	—	—	117
	384	117	—	117

13. Contingent liabilities

Guarantees under the co-financing arrangements given to:

	30 June 2002 (Unaudited) HK\$'000		31 December 2001 (Audited) HK\$'000	
Ultimate holding company	770	770	—	—
Other co-financing banks	—	898	—	—
	770	1,668	—	—
Letters of undertaking in respect of the surplus sale proceeds of taxi licences and cabs received from banks	2,047	2,047	—	—
	2,817	3,715	—	—

14. Comparative figures

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded a profit after tax and minority interest of HK\$21.3 million in the first six months ended 30 June 2002, which represented a decline of 36.8% or HK\$12.4 million when compared to the corresponding period of last year.

In the first half of the year, interest income decreased by HK\$53.8 million to HK\$23.5 million while commission income from the referral of taxi financing loans to the Group's panel of financiers decreased by HK\$7.2 million to HK\$5.0 million when compared to the same period in the previous year. At the same time, provision for bad and doubtful debts fell by HK\$14.0 million to HK\$3.8 million, provision against an amount due from an associate company decreased by HK\$6.7 million as no further provision was required, and finance costs decreased by HK\$23.8 million to HK\$1.4 million.

The majority of the taxi owners and hirers have converted their diesel taxis to liquefied petroleum gas taxis in 2001, resulting in a lower volume of taxi financing loans referred to the Group's panel of financiers in the first half of 2002 when compared to the previous year.

The prices of taxi licences have remained stable during the period under review, while the income level of taxi owners and hirers have not varied considerably, resulting in lower defaults in the taxi financing loans of the Group.

The reduction of interest rates and repayment of bank borrowings have contributed to a lower finance costs during the period under review. The Group has fully repaid its bank borrowings as at 30 June 2002.

The Group's taxi loans instalment receivables net of provision for bad and doubtful debts declined by HK\$52.3 million to HK\$411.4 million as at 30 June 2002 from HK\$463.7 million at the end of 2001 mainly due to early settlement of taxi financing loans, and scheduled repayment of monthly instalments.

Liquidity and Capital Expenditures

The Group's shareholders' funds stood at HK\$1,025.5 million as at 30 June 2002.

The Group's cash and cash equivalents available for funding the taxi trading and taxi financing businesses stood at HK\$431.0 million as at the end of June 2002.

Following the repayment of its bank borrowings, the Group's gearing ratio was nil as at 30 June 2002.

During the period, the Group did not create any additional charges on its assets nor incur any material capital expenditure commitment.

The Group's principal operations are conducted and recorded in Hong Kong dollars. During the period, the Group did not engage in any hedging activities.

Human Resources

The Group's remuneration package and benefits for its employees are essentially the same as those disclosed in the Company's 2001 Annual Report.

A new share option scheme for employees was adopted by the Group at its annual general meeting held on 28 February 2002.

Contingent Liabilities

Under the co-financing arrangements, the Group has extended guarantees to its co-financing banks for certain taxi financing loans. As at 30 June 2002, the outstanding guarantees given to the co-financing banks decreased to HK\$0.8 million from HK\$1.7 million as at the end of 2001.

The Group has also issued letters of undertaking to one of the financiers of taxi financing loans to refund any surplus sale proceeds from disposal of taxi cabs and taxi licences which were repossessed from defaulted taxi hirers under the security arrangement for term loans granted to these hirers. As at 30 June 2002, the letters of undertaking issued amounted to HK\$2.0 million.

Prospects

The Government's effort in promoting the local tourism industry by lifting the quotas of mainland travellers has contributed to the surge in number of mainland tourist arrivals this year, thus providing a boost to the local economic activities. The Government is also reviewing and opening up restricted zones in the city for taxis to pick up and drop off passengers; such a positive move is expected to contribute to the earnings of the taxi hirers, and provide stability to the taxi industry.

The Group will continue to focus on the business of taxi financing and trading of taxi licences whilst adopting a prudent and conservative approach in its financing activities. With the local economy anticipated to recover gradually, the prices of taxi licences and takings of the taxi hirers are expected to remain stable. The conversion of diesel