

## Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2000.

### PRINCIPAL ACTIVITIES

The Company acted as an investment holding company during the year. Its major subsidiaries are engaged in the provision of finance to purchasers of licensed public vehicles such as taxis and public light buses, the provision of personal and short term loans, trading of taxi cabs and taxi licences, and leasing of taxis. There were no significant changes in the nature of the Group's activities during the year.

Details of the activities of the Company's subsidiaries are set out in note 14 to the financial statements.

### SEGMENTAL INFORMATION

(a) **By geographical area**

The Group's principal operations are located in the Hong Kong SAR.

(b) **An analysis of the Group's turnover and contribution to profit from operating activities by principal activity for the year is as follows:**

	<b>Turnover HK\$'000</b>	<b>Contribution to profit from operating activities HK\$'000</b>
Taxi trading and related operations	120,887	29,411
Others	4,824	2,612
	<u>125,711</u>	32,023
Financing and related business		80,278
Expenses:		
General and administrative		(19,026)
Finance costs		(85,107)
Contribution after general and administrative, and finance costs		<u>8,168</u>

## **QUALITATIVE INFORMATION ON MANAGEMENT OF RISKS**

### **Credit risk**

Credit risk is the risk associated with a customer or counterparty being unable to meet a commitment when it falls due, and arises from the lending activities undertaken.

The Group has established policies and systems for the monitoring and control of credit risk. The directors and the senior management of the Company are responsible for the formulation of credit policies and management of credit risk through reviews of regular reports on credit exposures and the level of bad debt provisions.

Winton Financial Limited and Winton Financial (Factoring) Limited, both wholly-owned subsidiaries of the Group, maintain a system of controls on loan assessments and approvals and will continue to pursue a conservative and prudent policy in granting loans.

### **Market risk**

Market risk is the risk associated with changes in interest rates, foreign exchange rates, equity prices and commodity prices, and the effect such changes have on positions taken on market risk related financial instruments, including both on and off balance sheet instruments, which may result in profits or losses.

The Group adopts a conservative view on exposure to market risk related financial instruments. During the year, the Group did not trade in any market risk related financial instruments.

### **Liquidity management**

The main objectives of the Group's liquidity management are to ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund loan growth and to generate reasonable returns from available funds.

## **RESULTS AND DIVIDENDS**

The Group's results for the year ended 31 December 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 49.

A semi-annual convertible preference share dividend in the amount of HK\$5,467,675.10 was paid to convertible preference shareholders on 30 June 2000 and a further semi-annual convertible preference share dividend in the amount of HK\$8,362,326.62 was paid to convertible preference shareholders on 29 December 2000. The said dividends are calculated on daily basis and are included in the financial statements.

No interim dividend on the Company's ordinary shares was declared in respect of the year (1999: Nil). The directors do not recommend the payment of final dividend to the ordinary shareholders of the Company in respect of the year (1999: Nil).

A summary of the results and of the assets and liabilities of the Group for the last six financial periods is set out on page 50.

## **FIXED ASSETS AND INVESTMENT PROPERTIES**

Details of movements in the fixed assets and investment properties of the Group are set out in note 13 to the financial statements.

## **SUBSIDIARIES**

Particulars of the Company's subsidiaries are set out in note 14 to the financial statements.

## **ASSOCIATES**

Particulars of the Group's associates are set out in note 15 to the financial statements.

## **MAJOR SUPPLIERS AND CUSTOMERS**

Income attributable to the five largest customers accounted for less than 30% of the Group's total turnover for the year.

Purchases from the five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

## **BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS**

Details of the Group's borrowings as at 31 December 2000 are set out in notes 21 and 22 to the financial statements.

## **DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS**

Details of directors' remuneration and those of the five highest paid individuals in the Group are set out in notes 7 and 8 to the financial statements, respectively.

## **RESERVES**

Details of movements in the reserves of the Company and the Group during the year are set out in note 25 to the financial statements.

## **DISTRIBUTABLE RESERVES**

At 31 December 2000, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$286,976,000 as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account in the amount of HK\$627,270,000 may be distributed in the form of fully paid bonus shares.

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options are set out in note 24 to the financial statements.

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## DIRECTORS

The directors of the Company during the year were as follows:

### **Non-executive directors:**

Tan Sri Dato' Dr. TEH Hong Piow, Chairman  
Datuk TAY Ah Lek

### **Executive directors:**

TAN Yoke Kong  
WONG Kong Ming  
LEE Huat Oon

### **Independent non-executive directors:**

GEH Cheng Hooi, Paul  
CHEAH Cheng Hye

In accordance with bye-laws 87(1) and 87(2) of the Company, Mr. GEH Cheng Hooi, Paul and Mr. LEE Huat Oon retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. The terms of office of the non-executive directors are subject to retirement by rotation in accordance with the bye-laws of the Company.

## DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

## CONNECTED TRANSACTIONS

- (1) The Group's wholly-owned subsidiaries, Winton Financial Limited ("WFL") and Winton Financial (Factoring) Limited ("WFFL") entered into agreements with Public Bank Berhad ("Public Bank"), the Group's ultimate holding company, and WFFL entered into an agreement with JCG Finance Company, Limited ("JCG Finance"), a fellow subsidiary, for the joint provision of hire purchase financing to purchasers of taxis and public light buses (the "Co-Financing Arrangements"). 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.

During the year, no new hire purchase loans were granted by the Group under the Co-Financing Arrangements with Public Bank (1999: Nil) and JCG Finance (1999: Nil). There were no new guarantees (the "Guarantee") provided by the Company to Public Bank (1999: Nil) and JCG Finance (1999: Nil) in respect of borrowers who may default within one year of the loan. However, the Company extended the guarantees to Public Bank for two accounts rescheduled by Public Bank for a total of approximately HK\$770,000 (1999: HK\$770,000) on terms similar to other co-financing banks. Under the Co-Financing Arrangements, no interest was paid by the Group to Public Bank (1999: approximately HK\$40,000) and JCG Finance (1999: approximately HK\$1,736,000). Commission income of approximately HK\$76,000 (1999: HK\$122,000) was received by the Group from Public Bank while no such income was received from JCG Finance (1999: approximately HK\$414,000).

- (2) In addition, pursuant to facility agreements entered into between WFL and Public Bank (L) Ltd, a wholly-owned subsidiary of Public Bank, Public Bank (L) Ltd granted unsecured revolving credit facilities to WFL for a total of HK\$800,000,000 (1999: HK\$800,000,000). The facilities 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). Interest paid by the Group for the year to Public Bank (L) Ltd in respect of the facilities amounted to approximately HK\$73,306,000 (1999: HK\$64,798,000).
- (3) During the year, pursuant to a facility agreement entered into between JCG Finance and the Company, JCG Finance granted an unsecured revolving credit facility to the Company for a total of HK\$30,000,000 (1999: HK\$100,000,000). The facility was utilised to the extent of HK\$5,000,000 during the year (1999: HK\$55,000,000), and as at 31 December 2000, the facility was not utilised (1999: HK\$5,000,000). Interest and related facility fee paid by the Group for the year to JCG Finance in respect of the facility amounted to approximately HK\$85,000 (1999: HK\$2,134,000).
- (4) The Company was granted a conditional waiver by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), under a letter dated 7 April 2000, from strict compliance with the requirements of Chapter 14 of the Listing Rules in respect of the Guarantee provided by the Company to Public Bank concerning the obligations of WFL and WFFL under the Co-Financing Arrangements summarised in item (1) under the heading "Connected transactions" . Mr. GEH Cheng Hooi, Paul and Mr. CHEAH Cheng Hye, the independent non-executive directors of the Company, and the external auditors have reviewed the Guarantee. The respective parties have concluded that the Guarantee met the conditions imposed by the Stock Exchange under the conditional waiver.

## DIRECTORS' INTERESTS IN SHARES

- (1) As at the balance sheet date, the interests of the directors in the issued share capital of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register required to be kept under Section 29 of the SDI Ordinance were as follows :

Interests in	Name of director	Number of ordinary shares	
		Corporate interests	Personal interests
1. The Company	Tan Sri Dato' Dr. TEH Hong Piow	314,999,925	-
2. JCG Holdings Limited ("JCG"), the immediate holding company	Tan Sri Dato' Dr. TEH Hong Piow TAN Yoke Kong CHEAH Cheng Hye	391,582,110 - -	- 90,000 10,000
3. Public Bank, the ultimate holding company	Tan Sri Dato' Dr. TEH Hong Piow Datuk TAY Ah Lek WONG Kong Ming	786,926,000 133,000 -	210,000 136,000 89,860
4. Public Finance Berhad, a fellow subsidiary	Tan Sri Dato' Dr. TEH Hong Piow Datuk TAY Ah Lek	187,319,051 2,349	16,500 1,650

Interests in	Name of director	Number of convertible preference shares	
		Corporate interests	Personal interests
The Company	Tan Sri Dato' Dr. TEH Hong Piow	870,225,121	-

Tan Sri Dato' Dr. TEH Hong Piow, by virtue of his interest in Public Bank, is deemed to be interested in the ordinary shares and convertible preference shares of the Company and the ordinary shares of the associated corporations as disclosed above, to the extent that Public Bank has an interest. Such 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.

By virtue of his interest in Public Bank, Tan Sri Dato' Dr. TEH Hong Piow is also deemed to be interested in the non wholly-owned subsidiaries of Public Bank and of the Company, to the extent of Public Bank's or the Company's interests in them, respectively. These non wholly-owned subsidiaries have not been itemised on the basis that they are not material in the context of the Group and the list is of excessive length.

- (2) At the balance sheet date, the interests of the directors in any rights to subscribe for ordinary shares in the Company and its associated corporations as recorded in the register required to be kept under Section 29 of the SDI Ordinance were as follows:

<b>Interests in</b>	<b>Notes</b>	<b>Name of director</b>	<b>Options granted in prior years</b>	<b>Options exercised during the year</b>	<b>Options remaining unexercised at end of current year</b>
1. JCG	(i)	TAN Yoke Kong	150,000	-	150,000
	(i)	LEE Huat Oon	136,000	-	136,000
2. Public Bank	(ii)	Tan Sri Dato' Dr. TEH Hong Piow	250,000	-	250,000
	(ii)	Datuk TAY Ah Lek	175,000	-	175,000
	(ii)	WONG Kong Ming	37,500	37,500	-

Notes:

- (i) The options to subscribe for ordinary shares of HK\$0.10 each in JCG were granted on 20 June 1997 under the JCG Share Option Scheme for Employees duly approved on 20 March 1997. 50% of the options are exercisable commencing from two years after 5 July 1997, and the remaining 50% of the options are exercisable commencing from three years after 5 July 1997, at a subscription price of HK\$4.77 per share. The last day to exercise the options is 4 July 2002.
- (ii) The options to subscribe for ordinary shares of RM0.50 each in Public Bank were granted on 10 April 1998 under its Employees' Share Option Scheme. The options are exercisable from 10 April 1998 to 24 February 2003, subject to the terms of Employees' Share Option Scheme, at a subscription price of RM1.66 per share.

During the year, no options to subscribe for ordinary shares in the Company were granted to any of the directors or the spouse or children under 18 years of age of any such director under the share option scheme which was adopted by the Company on 24 July 1992.

During the year, no options to subscribe for ordinary shares in JCG and Public Bank were granted to any of the directors or the spouse or children under 18 years of age of any of the directors.

Save as disclosed above, none of directors had any personal, family, corporate or other beneficial interests in the equity or debt securities of the Company or any of its associated corporations as referred to in the SDI Ordinance.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Apart from the share option schemes mentioned above, at no time during the year was the Company or any of its holding companies, subsidiaries and fellow subsidiaries, a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### **DIRECTORS' INTERESTS IN CONTRACTS**

Except as detailed in note 29 to the financial statements and in the section headed "Connected transactions" above, no director had a beneficial interest, whether direct or indirect, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries and fellow subsidiaries was a party at the balance sheet date or at any time during the year.

### **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

Tan Sri Dato' Dr. TEH Hong Piow and Datuk TAY Ah Lek are also directors of Public Bank, which is also engaged in the provision of finance to purchasers of licensed public vehicles through its branch in Hong Kong.

Tan Sri Dato' Dr. TEH Hong Piow, Mr. TAN Yoke Kong, Datuk TAY Ah Lek, Mr. WONG Kong Ming and Mr. LEE Huat Oon are also directors of JCG Finance, which is also engaged in the provision of finance to purchasers of licensed public vehicles.

The provision of finance to purchasers of licensed public vehicles undertaken by Public Bank and JCG Finance during the year were referred by the Group.

Tan Sri Dato' Dr. TEH Hong Piow is also a deemed substantial shareholder of Public Bank and JCG Finance by virtue of his interest in Public Bank.



## BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

<b>Name</b>	<b>Age</b>	<b>Position held</b>	<b>Number of years of service with the Group</b>	<b>Business experience</b>
Tan Sri Dato' Dr. TEH Hong Piow	70	Chairman	3	He is the founder and controlling shareholder of Public Bank and the Chairman of JCG. He has been in the banking industry for more than 51 years.
TAN Yoke Kong	48	Director/Chief Executive Officer	5	He is a Director of JCG and has more than 19 years of experience in the banking sector.
Datuk TAY Ah Lek	58	Non-executive Director	3	He is the Executive Director of Public Bank and a Director of JCG, and has more than 36 years of experience in the banking and financial sector.
WONG Kong Ming	47	Director	6	He is the General Manager of Public Bank, Hong Kong Branch and a Director of JCG, and has over 25 years of experience in the banking sector.
LEE Huat Oon	38	Director	3	He is a Director of JCG and has more than 13 years of experience in the banking sector.
GEH Cheng Hooi, Paul	66	Independent Non-executive Director	3	He is an Independent Non-executive Director of JCG and a consultant with KPMG, Malaysia. Prior to this, Mr. GEH was with the same firm for 29 years and was the Senior Partner thereof.

CHEAH Cheng Hye	46	Independent Non-executive Director Officer	2	He is an Independent Non-executive Director of JCG and has more than 11 years of experience in the financial sector, prior to which he worked as a financial journalist for 12 years.
NG Chee Khuen	33	Assistant General Manager	3	He was formerly attached to Public Bank and has over 10 years of experience in the banking and financial sector.
TAM Sin Kei	48	Chief Financial Officer	29	He has extensive experience in the taxi financing and taxi trading businesses.

## **SUBSTANTIAL SHAREHOLDERS**

As at 31 December 2000, the only substantial shareholder with a registered interest in the share capital of the Company, recorded in the register required to be maintained under Section 16(1) of the SDI Ordinance, was JCG, which reported a holding of 314,999,925 ordinary shares of HK\$0.10 each, representing approximately a 75% shareholding.

Public Bank was also deemed to be beneficially interested in the same 314,999,925 ordinary shares by virtue of Public Bank's 55.4% shareholding interest in JCG.

As at 31 December 2000, Tan Sri Dato' Dr. TEH Hong Piow was also deemed to be a substantial shareholder of the Company by virtue of his shareholding in Public Bank, the ultimate holding company of JCG.

Save as disclosed herein, the directors of the Company are not aware of any person who is, directly or indirectly, interested in 10% or more of the issued ordinary share capital of the Company or has any rights to subscribe for shares in respect of such capital.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## **DONATIONS**

During the year, the Group made charitable and other donations totalling HK\$18,900.

## **POST BALANCE SHEET EVENTS**

Details of the significant post balance sheet events of the Group are set out in note 30 to the financial statements.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the "Audit Committee") in accordance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The present members of the Audit Committee are Datuk TAY Ah Lek (Chairman of the Audit Committee), Mr. GEH Cheng Hooi, Paul and Mr. CHEAH Cheng Hye. Three meetings were held during the year to consider corporate governance, regulatory compliance, internal control and financial reporting matters which cover the accounting period in this annual report.

## **CODE OF BEST PRACTICE**

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting year covered by this annual report. The non-executive directors and independent non-executive directors of the Company are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

## **AUDITORS**

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**TAN Yoke Kong**

*Director*

Hong Kong

20 January 2001