

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2001.

Principal activities

The Company acted as an investment holding company during the year. Its major subsidiaries are engaged in the provision of financing for 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 principal activities of the Company's subsidiaries are set out in note 17 to the financial statements.

Segment information

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations for the year ended 31 December 2001 is set out in note 6 to the financial statements.

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 by the Group.

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 the 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 over loan assessments and approvals and will continue to adopt 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, commodity prices and government policies; and the effect that 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 business activities and to generate reasonable returns from available funds.

Results and dividends

The Group's results for the year ended 31 December 2001 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 47.

A semi-annual convertible preference share dividend, in the amount of HK\$8,362,000 (2000: HK\$5,468,000), was paid to the convertible preference shareholders on 29 June 2001 and a further semi-annual convertible preference share dividend, in the amount of HK\$8,500,000 (2000: HK\$8,362,000), was paid to the convertible preference shareholders on 31 December 2001. The said dividends are calculated on daily basis and are included in the financial statements.

Report of the Directors

Results and dividends (continued)

No interim dividend on the Company's ordinary shares was declared in respect of the year (2000: Nil). The directors recommend the payment of a final dividend of 7 cents per ordinary share (2000: Nil) in respect of the year.

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 48.

Fixed assets and investment properties

Details of the movements in the fixed assets and investment properties of the Group are set out in notes 15 and 16 to the financial statements, respectively.

Subsidiaries

Particulars of the Company's subsidiaries are set out in note 17 to the financial statements.

Associates

Particulars of the Group's associates are set out in note 18 to the financial statements.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for 33% of the total sales for the year and sales to the largest customer included therein amounted to 10%. Purchases from the five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

None of the directors of the Company, their associates or any shareholder (which, to the knowledge of the directors own more than 5% of the Company's issued share capital) has an interest in the Group's five largest customers or five largest suppliers.

Bank borrowings

Details of the Group's bank borrowings as at 31 December 2001 are set out in notes 24 and 25 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 9 and 10 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 29 to the financial statements.

Distributable reserves

The Company's contributed surplus is distributable to shareholders in accordance with the Companies Act 1981 of Bermuda. At 31 December 2001, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$281,556,000 (inclusive of the Company's contributed surplus) as computed in accordance with the generally accepted accounting principles of Hong Kong. In addition, the Company's share premium account in the amount of approximately HK\$627,270,000 may be distributed in the form of fully paid bonus shares.

Share capital

Details of movements in the Company's share capital are set out in note 28 to the financial statements.

Pre-emptive rights

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 the bye-laws of the Company, Mr. TAN Yoke Kong and Mr. CHEAH Cheng Hye retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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/or 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 (2000: Nil) and JCG Finance (2000: Nil). There were no new guarantees ("Guarantee") provided by the Company to Public Bank (2000: Nil) and JCG Finance (2000: Nil) in respect of borrowers who may default within one year of the co-financed hire purchase loans. However, the Company extended the Guarantee for the amount of approximately HK\$770,000 (2000: HK\$770,000) to Public Bank for two accounts rescheduled by Public Bank on terms similar to those the Group has with other co-financing banks. Under the Co-Financing Arrangements, no interest was paid by the Group to Public Bank (2000: Nil) and JCG Finance (2000: Nil). No commission income was received by the Group from Public Bank (2000: HK\$76,000) and JCG Finance (2000: Nil) under the Co-Financing Arrangements.

The Company was granted a conditional waiver by 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. 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.

Report of the Directors

Connected transactions (continued)

- (2) 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 (2000: HK\$800,000,000). The facilities were utilised to the extent of HK\$749,414,000 during the year (2000: HK\$799,414,000), and up to HK\$200,000,000 as at 31 December 2001 (2000: HK\$749,414,000). Interest paid by the Group for the year to Public Bank (L) Ltd in respect of the facilities, amounted to approximately HK\$29,088,000 (2000: HK\$73,306,000).
- (3) Pursuant to the facility agreement entered into between the Company and JCG Finance, JCG Finance granted an unsecured revolving credit facility to the Company for a total of HK\$30,000,000 up to the maturity date on 13 April 2001 (2000: HK\$30,000,000). The Company did not request for the facility to be renewed upon its expiry. The facility was not utilised by the Company during the period up to the maturity date (2000: up to HK\$5,000,000 and as at 31 December 2000: Nil). No interest or related facility fee was paid by the Company to JCG Finance for the year in respect of the facility (2000: HK\$85,000).
- (4) Pursuant to the master dealer agreements entered into between Winton Motors, Limited (“WML”) and each of JCG Finance and Public Bank on 1 March 2001 and 29 December 1994 respectively, WML may from time to time refer hirers to JCG Finance or Public Bank for obtaining taxi financing loans, and in return, WML will receive dealer’s commission from JCG Finance or Public Bank (the “Transactions”). Dealer’s commission received/receivable by WML for the year from JCG Finance and Public Bank was HK\$11,684,000 (2000: HK\$353,000) and HK\$1,646,000 (2000: HK\$28,000), respectively.

The Company and JCG Holdings Limited were separately granted conditional waivers by the Stock Exchange under letters dated 23 May and 16 May 2001, respectively, from strict compliance with the requirements of Chapter 14 of the Listing Rules in respect of the Transactions mentioned above. Mr. GEH Cheng Hooi, Paul and Mr. CHEAH Cheng Hye, the independent non-executive directors of the Company and JCG Holdings Limited, and the external auditors have reviewed the Transactions. The respective parties have concluded that the Transactions met the respective conditions imposed by the Stock Exchange under the conditional waivers granted to the Company and JCG Holdings Limited.

- (5) During the year, the Company placed fixed deposits with Public Bank (L) Ltd at prevailing market rates. As at 31 December 2001, the fixed deposits placed amounted to HK\$300,000,000 (2000: HK\$300,000,000). Interest income received/receivable by the Company for the year from Public Bank (L) Ltd in respect of the placements amounted to approximately HK\$12,214,000 (2000: HK\$15,756,000).
- (6) During the year, Winton (B.V.I.) Limited, a wholly-owned subsidiary of the Company, placed a fixed deposit with Public Bank at prevailing market rates. As at 31 December 2001, the fixed deposit placed amounted to HK\$22,036,000 (2000: Nil). Interest income received/receivable by Winton (B.V.I.) Limited for the year from Public Bank in respect of the placement amounted to approximately HK\$41,000 (2000: Nil).
- (7) During the year, the Company placed fixed deposits with JCG Finance at prevailing market rates. As at 31 December 2001, the fixed deposits placed amounted to HK\$200,000,000 (2000: Nil). Interest income received/receivable by the Company for the year from JCG Finance in respect of the placements amounted to approximately HK\$65,000 (2000: Nil).

Directors' interests in shares

- (1) As at the balance sheet date, the directors' interests 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, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), 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	419,524,110	—
	TAN Yoke Kong	—	90,000
	CHEAH Cheng Hye	—	10,000
3. Public Bank Berhad ("Public Bank"), the ultimate holding company	Tan Sri Dato'		
	Dr. TEH Hong Piow	981,234,817	1,000,000
	Datuk TAY Ah Lek	172,900	176,800
	WONG Kong Ming	—	116,817
4. Public Finance Berhad, a fellow subsidiary	Tan Sri Dato'		
	Dr. TEH Hong Piow	187,319,051	16,500
	Datuk TAY Ah Lek	2,349	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.

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Directors' interests in shares (continued)

- (2) As 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 defined in the SDI Ordinance) as recorded in the register required to be kept under Section 29 of the SDI Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in	Notes	Name of director	Number of share options		
			At the beginning of the year	Granted during the year	At the end of the year
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	75,000	325,000
	(ii)	Datuk TAY Ah Lek	175,000	52,500	227,500

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 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. The exercise period for all of the options will end on 4 July 2002. The exercise price of an option to subscribe for a share is HK\$4.77 per share.
- (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. Adjustments arising from Public Bank's bonus issue were made on 23 April 2001. The options are exercisable from 10 April 1998 to 24 February 2003, subject to the terms of the Employees' Share Option Scheme, at the adjusted exercise price of an option to subscribe for a share of RM1.27.

During the year, no options to subscribe for ordinary shares in the Company were granted to any of the directors, or to the spouse or children under 18 years of age of any of the directors, 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 exercised by 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 the 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.

Share option scheme

As at the balance sheet date, the particulars in relation to the share option scheme of the Company that are required to be disclosed under Rules 17.07 and 17.09 of Chapter 17 of the Listing Rules, were as follows:

(a) *Share option scheme of the Company*

Since the adoption of the share option scheme of the Company on 24 July 1992, no options to subscribe for ordinary shares in the Company have been granted to any eligible participants, including directors or their respective associates or the employees of the Group.

(b) *A summary of the share option scheme of the Company is set out as follows:*

Purpose	:	To attract, retain and motivate high-calibre employees
Participants	:	Full-time employees (including executive directors) of the Company or any subsidiary
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of the annual report	:	42,000,000 ordinary shares and 3.1% of the issued share capital
Maximum entitlement of each participant	:	Shall not exceed 25% of the total number of ordinary shares in respect of the options that may be granted in accordance with the scheme
Period within which the securities must be taken up under an option	:	No option will be exercisable earlier than 1 year or later than 10 years after its date of grant
Minimum period for which an option must be held before it can be exercised	:	1 year from date of grant
Amount payable on acceptance	:	HK\$1.00
Period within which payments/calls/loans must be made/repaid	:	Not applicable
Basis of determining the exercise price	:	Determined by the directors at their discretion based on the higher of (i) 80% of the average closing price of the ordinary shares on the Stock Exchange on the five trading days immediately preceding the offer date, and (ii) the nominal value of an ordinary share
The remaining life of the scheme	:	The scheme remains in force until 23 July 2002.

Report of the Directors

Directors' rights to acquire shares

Apart from the share option schemes noted 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 33 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 financing for 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 financing for licensed public vehicles.

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

The provision of financing for licensed public vehicles undertaken by Public Bank and JCG Finance during the year were referred by the Group and other taxi dealers.

Brief biographical details in respect of directors and senior management staff

Name	Age	Position held	Number of years of service with the Group	Business experience
Tan Sri Dato' Dr. TEH Hong Piow	71	Chairman	4	Tan Sri Dato' Dr. TEH is the founder, President and controlling shareholder of Public Bank and the Chairman of JCG. He has been working in the banking industry for more than 52 years.
TAN Yoke Kong	49	Director/Chief Executive Officer	6	Mr. TAN is a Director of JCG and has more than 20 years of experience in the banking sector.
Datuk TAY Ah Lek	59	Non-executive Director	4	Datuk TAY is an Executive Director of Public Bank and a Director of JCG, and has more than 37 years of experience in the banking and financial sector.

Brief biographical details in respect of directors and senior management staff (continued)

Name	Age	Position held	Number of years of service with the Group	Business experience
WONG Kong Ming	48	Director	7	Mr. WONG is the General Manager of Public Bank, Hong Kong Branch and a Director of JCG, and has over 26 years of experience in the banking sector.
LEE Huat Oon	39	Director	4	Mr. LEE is a Director of JCG and has more than 14 years of experience in the banking sector.
GEH Cheng Hooi, Paul	67	Independent Non-executive Director	4	Mr. GEH is an Independent Non-executive Director of JCG and a consultant with KPMG, Malaysia, prior to which, he was with the same accounting firm for 29 years and was a Senior Partner thereof.
CHEAH Cheng Hye	47	Independent Non-executive Director	3	Mr. CHEAH is an Independent Non-executive Director of JCG and has more than 12 years of experience in the financial sector, prior to which, he worked as a financial journalist for 12 years.
NG Chee Khuen	34	Assistant General Manager	4	Mr. NG was formerly attached to Public Bank and has over 11 years of experience in the banking and financial sector.
TAM Sin Kei	49	Chief Financial Officer	30	Mr. TAM has extensive experience in the taxi financing and taxi trading businesses.

Substantial shareholders

As at the balance sheet date, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that JCG held 314,999,925 ordinary shares of HK\$0.10 each in the Company, which represented approximately a 75% shareholding in the Company.

Public Bank was deemed to be interested in the same 314,999,925 ordinary shares by virtue of its 59.3% interest in JCG.

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

Save as disclosed above, 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, sales or redemption of listed securities of the Company

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

Report of the Directors

Audit committee

The Company 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. Four meetings were held during the year to consider corporate governance, regulatory compliance, internal control and financial reporting matters covering the financial year ended 31 December 2001.

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 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

16 January 2002