

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2002.

Adoption of Corporate Chinese Name

The corporate Chinese name “ 運通泰集團（百慕達）有限公司 ” has been formally registered in Hong Kong under Part XI of the Hong Kong Companies Ordinance on 26 March 2002.

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.

Qualitative Information on the Management of Risks

Credit risk

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.

The Group maintains a system of controls on loan assessments and approvals, and will continue to pursue a conservative and prudent policy in granting loans.

Market risk

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 profit for the year ended 31 December 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 15 to 47.

A semi-annual convertible preference share dividend, in the amount of HK\$7,800,000 (2001: HK\$8,362,000), was paid to the convertible preference shareholders on 28 June 2002 and a further semi-annual convertible preference share dividend, in the amount of HK\$8,066,000 (2001: HK\$8,500,000), was paid to the convertible preference shareholders on 31 December 2002. The said dividends are calculated on a 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 (2001: Nil). The directors do not recommend the payment of a final dividend for the ordinary shares (2001: 7 cents) 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 movements in the fixed assets and investment properties of the Group are set out in notes 15 and 16 to the financial statements, respectively.

Share Capital

Details of movements in the Company's share capital are set out in note 27 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.

Purchase, Sale or Redemption of Listed Securities

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 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 2002, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$273,999,000 (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 HK\$626,831,000 may be distributed in the form of fully paid bonus shares.

Post Balance Sheet Event

Details of post balance sheet event are set out in note 32 to the financial statements.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 34% of the total purchases for the year and purchases from the largest supplier included therein amounted to 10%.

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 suppliers.

Directors

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

Non-executive Directors:

Tan Sri Dato' Sri Dr. Teh Hong Piow, *Chairman*
Datuk Tay Ah Lek (resigned on 30 June 2002)

Executive Directors:

Tan Yoke Kong
Wong Kong Ming
Lee Huat Oon

Independent Non-executive Directors:

Geh Cheng Hooi, Paul
Dato' Yeoh Chin Kee (appointed on 2 September 2002)
Cheah Cheng Hye (resigned on 2 September 2002)

In accordance with the bye-laws of the Company, Mr. Wong Kong Ming and Dato' Yeoh Chin Kee will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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.

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.

Directors' Interests in Contracts

Except as detailed in note 33 to the financial statements and in the section headed "Connected Transactions" below, 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 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 of Hong Kong Limited (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 interest	Personal interest
1. The Company	Tan Sri Dato' Sri Dr. Teh Hong Piow	333,949,925	–
2. JCG Holdings Limited ("JCG"), the immediate holding company	Tan Sri Dato' Sri Dr. Teh Hong Piow Tan Yoke Kong	434,408,110 –	– 150,000
3. Public Bank Berhad ("Public Bank"), the ultimate holding company	Tan Sri Dato' Sri Dr. Teh Hong Piow Dato' Yeoh Chin Kee Wong Kong Ming	1,233,613,519 – –	1,250,000 30,000 146,020
4. Public Finance Berhad ("Public Finance"), a fellow subsidiary	Tan Sri Dato' Sri Dr. Teh Hong Piow	224,328,051	16,500
5. PB International Factors Sdn Bhd, a fellow subsidiary	Tan Sri Dato' Sri Dr. Teh Hong Piow	5,500,000	–
6. Public Mutual Berhad, a fellow subsidiary	Tan Sri Dato' Sri Dr. Teh Hong Piow	5,100,000	–
7. Winsure Company, Limited, a subsidiary	Tan Sri Dato' Sri Dr. Teh Hong Piow	15,500	–
8. Wu Shang Mei Winton (China) Investment Company Limited, a subsidiary	Tan Sri Dato' Sri Dr. Teh Hong Piow	90	–

Directors' Interests in Shares (Continued)

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

Tan Sri Dato' Sri 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.

- (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			Exercise price	Exercisable period
			At the beginning of the year	Granted/ (Exercised) during the year	At the end of the year		
1. JCG	(i)	Tan Yoke Kong	150,000	(150,000)	–	HK\$4.77	50%: 5.7.1999 to 4.7.2002 50%: 5.7.2000 to 4.7.2002
	(i)	Lee Huat Oon	136,000	(136,000)	–	HK\$4.77	50%: 5.7.1999 to 4.7.2002 50%: 5.7.2000 to 4.7.2002
2. Public Bank	(ii)	Tan Sri Dato' Sri Dr. Teh Hong Piow	250,000	–	250,000	RM1.02	10.4.1998 to 24.2.2005
			75,000	–	75,000	RM1.02	23.4.2001 to 24.2.2005
			–	81,250	81,250	RM1.02	18.7.2002 to 24.2.2005
			–	36,360,000	36,360,000	RM2.22	6.6.2002 to 24.2.2005
			–	9,090,000	9,090,000	RM2.22	18.7.2002 to 24.2.2005
			325,000	45,531,250	45,856,250		
(ii)	Wong Kong Ming	–	100,000	100,000	RM2.22	6.6.2002 to 24.2.2005	
		–	25,000	25,000	RM2.22	18.7.2002 to 24.2.2005	
		–	125,000	125,000			
3. Public Finance	(iii)	Tan Sri Dato' Sri Dr. Teh Hong Piow	–	3,300,000	3,300,000	RM6.60	6.6.2002 to 30.5.2007

Directors' Interests in Shares (Continued)

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. The JCG Share Option Scheme was terminated on 28 February 2002.
- (ii) The options to subscribe for ordinary shares of RM0.50 each in Public Bank were first granted on 10 April 1998 under its Employees' Share Option Scheme ("PBB ESOS"). Following approvals from the relevant authorities and the shareholders of Public Bank at the extraordinary general meeting held on 20 May 2002, the PBB ESOS has been extended for two years to 25 February 2005. Hence, the exercisable period of the options has also been extended up to and including 24 February 2005. The number of share options and the exercise prices were adjusted pursuant to the Public Bank bonus issues on 23 April 2001 and 18 July 2002. Further options were granted to employees of Public Bank on 6 June 2002. The options are exercisable subject to the terms of the PBB ESOS.
- (iii) The options to subscribe for ordinary shares of RM1.00 each in Public Finance were granted on 6 June 2002 under its Employees' Share Option Scheme ("PFB ESOS"). The options are exercisable subject to the terms of the PFB ESOS.

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, either under the share option scheme adopted by the Company on 24 July 1992 and terminated on 28 February 2002 or the share option scheme adopted by the Company on 28 February 2002.

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.

Directors' Rights to Acquire Shares or Debentures

Apart from the share option schemes as disclosed above and set out in note 27 to the financial statements, 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 Competing Business

Tan Sri Dato' Sri Dr. Teh Hong Piow is also a director 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' Sri Dr. Teh Hong Piow, Mr. Tan Yoke Kong, Mr. Wong Kong Ming and Mr. Lee Huat Oon are also directors of JCG Finance Company, Limited ("JCG Finance"), which is also engaged in the provision of financing for licensed public vehicles.

Tan Sri Dato' Sri 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. The terms and conditions of the taxi financing loans are market driven and agreed at arm's length between the hirers and the financiers.

Substantial Shareholders

As at the balance sheet date, save as disclosed under the Directors' Interest in Shares, the interests of the substantial shareholders as recorded in the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance were as follows:

<u>Name of substantial shareholder</u>	<u>Number of ordinary shares</u>
Public Bank	333,949,925 (Note)
JCG	333,949,925 (Note)
Oaktree Capital Management, LLC	62,690,100

Note: JCG was beneficially interested in 333,949,925 ordinary shares of the Company. Public Bank was deemed to be interested in the same 333,949,925 ordinary shares by virtue of its 61.4% interest in JCG. Tan Sri Dato' Sri Dr. Teh Hong Piow was also deemed to be interested in the same 333,949,925 ordinary shares by virtue of his interest in Public Bank (as set out under Directors' Interests in Shares), the ultimate holding company of the Company and 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.

Connected Transactions

- (1) The Company's wholly-owned subsidiaries, Winton Financial Limited ("WFL") and Winton Financial (Factoring) Limited ("WFFL") entered into agreements with Public Bank, the ultimate holding company, and WFFL entered into an agreement with 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 (2001: Nil) and JCG Finance (2001: Nil). There were no new guarantees ("Guarantee") provided by the Company to Public Bank (2001: Nil) and JCG Finance (2001: Nil) in respect of borrowers who may default within one year of the co-financed hire purchase loans. However, the Company has outstanding Guarantee for the amount of approximately HK\$770,000 (2001: HK\$770,000) given to Public Bank for two accounts rescheduled by Public Bank on terms similar to those the Group had with other co-financing banks. Under the Co-financing Arrangements, no interest was received by Public Bank (2001: Nil) and JCG Finance (2001: Nil) from the Group. No commission income was received by the Group from Public Bank (2001: Nil) and JCG Finance (2001: 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 Rules Governing the Listing of Securities on the Stock Exchange ("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 Dato' Yeoh Chin Kee, 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.

- (2) Pursuant to the facility agreements entered into between WFL and Public Bank (L) Ltd ("PBL"), a wholly-owned subsidiary of Public Bank, PBL granted unsecured revolving credit facilities to WFL for a total of HK\$800,000,000 (2001: HK\$800,000,000). The facilities were utilised to the extent of HK\$200,000,000 during the year and fully repaid before the maturity dates (2001: up to HK\$749,414,000 and as at 31 December 2001: HK\$200,000,000). Interest paid by the Group for the year to PBL in respect of the facilities amounted to approximately HK\$1,084,000 (2001: HK\$29,088,000).

Connected Transactions (Continued)

- (3) Pursuant to the master dealer agreements entered into between Winton Motors, Limited (“WML”) and each of Public Bank and JCG Finance on 29 December 1994 and 1 March 2001, 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\$6,938,000 (2001: HK\$11,684,000) and HK\$9,596,000 (2001: HK\$1,646,000), respectively.

The Company and JCG 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. Mr. Geh Cheng Hooi, Paul and Dato’ Yeoh Chin Kee, the Independent Non-executive Directors of the Company and JCG, and the external auditors have reviewed the Transactions. The respective parties concluded that the Transactions met the respective conditions imposed by the Stock Exchange under the conditional waivers granted to the Company and JCG.

- (4) During the year, the Company placed fixed deposits up to HK\$300,000,000 (2001: HK\$300,000,000) with PBL at prevailing market rates and such deposits were subsequently withdrawn before 31 December 2002 (31 December 2001: HK\$300,000,000). Interest income received by the Company for the year from PBL in respect of the placements amounted to approximately HK\$1,435,000 (2001: HK\$12,214,000).
- (5) During the year, Winton (B.V.I.) Limited, a wholly-owned subsidiary of the Company, placed fixed deposits with Public Bank at prevailing market rates. As at 31 December 2002, the fixed deposits placed amounted to HK\$284,955,000 (2001: HK\$22,036,000). 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\$3,138,000 (2001: HK\$41,000).
- (6) During the year, the Company placed fixed deposits up to HK\$200,934,000 with JCG Finance at prevailing market rates and such deposits were subsequently withdrawn before 31 December 2002 (31 December 2001: HK\$200,000,000). Interest income received by the Company for the year from JCG Finance in respect of the placements amounted to approximately HK\$1,831,000 (2001: HK\$65,000).

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 Director 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.

Audit Committee

The Company has an audit committee (the “Audit Committee”) which was established 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 Dato’ Yeoh Chin Kee (Chairman of the Audit Committee), Tan Sri Dato’ Sri Dr. Teh Hong Piow and Mr. Geh Cheng Hooi, Paul. Three 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 2002.

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

22 January 2003