

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

Principal activities

The Company acted as an investment holding company during the year. The principal activities of its subsidiaries were deposit taking, personal and commercial lending, the operation of a credit card business, mortgage financing, stockbroking, the letting of investment properties, the provision of finance to purchasers of taxis and public light buses, the trading of taxi cabs and taxi licences, and the leasing of taxis. There were no significant changes in the nature of the Group's principal activities during the year.

Details of the principal activities of the Company's subsidiaries are set out in note 21 to the financial statements.

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 24 to 64.

An interim dividend of 4.5 cents (2001: 8.5 cents) per ordinary share was paid on 30 August 2002. The directors recommend the payment of a final dividend of 13.5 cents (2001: 23.5 cents) per ordinary share in respect of the year to shareholders on the register of members on 2 April 2003. This recommendation has been incorporated in the financial statements.

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 7.

Fixed assets and investment properties

Details of movements in the fixed assets and investment properties of the Group are set out in notes 24 and 20 to the financial statements, respectively.

Share capital and share options

Details of movements in the Company's share capital and share options are set out in note 31 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.

Conversion and redemption of convertible preference shares of a subsidiary

On 3 March 2000, Winton Holdings (Bermuda) Limited ("Winton"), a non-wholly owned subsidiary of the Company, issued 924,000,000 5.5% convertible cumulative redeemable preference shares ("CPS") of HK\$0.10 each at a subscription price of HK\$0.33 each and received a total cash consideration of HK\$304,920,000. The CPS are convertible into ordinary shares of Winton at the option of the holder at any time from 4 March 2002 up to 3 March 2005 and will be mandatorily converted into ordinary shares on 3 March 2005 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.

During the year, a total of 51,863,228 CPS not held by the Company, representing 5.6% of the total CPS issued, were converted into 51,863,228 ordinary shares of Winton pursuant to the terms of CPS. In December 2002, Winton served the notice of redemption to the holders of 1,911,651 CPS (other than those held by the Company) to redeem the CPS. At the close of business on 31 December 2002, 1,911,651 CPS were redeemed at HK\$0.5724 each and cancelled accordingly; whilst the remaining 870,225,121 CPS were beneficially owned by the Company.

Purchase, sale 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.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 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\$1,489,976,000 (inclusive of the Company's contributed surplus) as computed in accordance with the generally accepted accounting principles of Hong Kong, SAR. In addition, the Company's share premium account in the amount of approximately HK\$1,209,593,000 may be distributed in the form of fully paid bonus shares.

Major customers and suppliers

In the year under review, income attributable to the Group's five largest customers accounted for less than 30% of the total income for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

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
Wong Kong Ming

Executive Directors:

Tan Yoke Kong
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, Dato' Yeoh Chin Kee and Mr. Wong Kong Ming 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 that 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 38 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 company, subsidiaries and fellow subsidiaries was a party at the balance sheet date or at any time during the year.

Directors' interests in shares

- (1) 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	434,408,110	–
	Tan Yoke Kong	–	150,000
2. Public Bank Berhad ("Public Bank"), the ultimate holding company	Tan Sri Dato' Sri Dr. Teh Hong Piow	1,233,613,519	1,250,000
	Datuk Tay Ah Lek	216,125	221,000
	Dato' Yeoh Chin Kee	–	30,000
	Wong Kong Ming	–	146,020
3. Public Finance Berhad ("Public Finance"), a fellow subsidiary	Tan Sri Dato' Sri Dr. Teh Hong Piow	224,328,051	16,500
	Datuk Tay Ah Lek	2,349	1,650
4. Winton, a subsidiary	Tan Sri Dato' Sri Dr. Teh Hong Piow	333,949,925	–

Interests in	Name of director	Number of convertible preference shares	
		Corporate interest	Personal interest
Winton	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 of the Company and the ordinary shares and convertible preference shares of the associated corporations as disclosed above, to the extent that Public Bank has an interest.

By virtue of his interest in Public Bank, Tan Sri Dato' Sri Dr. Teh Hong Piow is also deemed to be interested in the non wholly-owned subsidiaries of Public Bank and of Winton, to the extent of Public Bank's or Winton'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.

Directors' interests in shares (Continued)

- (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 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 end of the year	Exercise price	Exercisable period
			At the beginning of the year	Granted/ (Exercised) during the year			
1. The Company	(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)	Datuk Tay Ah Lek	175,000	–	175,000	RM1.02	10.4.1998 to 24.2.2005
			52,500	–	52,500	RM1.02	23.4.2001 to 24.2.2005
			–	56,875	56,875	RM1.02	18.7.2002 to 24.2.2005
			–	10,000,000	10,000,000	RM2.22	6.6.2002 to 24.2.2005
–			2,500,000	2,500,000	RM2.22	18.7.2002 to 24.2.2005	
		227,500	12,556,875	12,784,375			
(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

Notes:

- (i) The options to subscribe for ordinary shares of HK\$0.10 each in the Company were granted on 20 June 1997 under the Company's share option scheme duly approved on 20 March 1997 ("JCG Old Scheme"). The JCG Old Scheme was terminated and replaced by a new share option scheme at the annual general meeting held on 28 February 2002 ("JCG New Scheme").
- (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.

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 disclosed above and set out in note 31 to the financial statements, at no time during the year was the Company, its holding company, or any of its subsidiaries or 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 acquisitions of shares in, or debentures of, the Company or in any other body corporate.

Directors' interests in competing business

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

The provision of financing for licensed public vehicles undertaken by Public Bank and JCG Finance Company, Limited ("JCG Finance") during the year were referred by Winton and its subsidiaries (the "Winton 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

At the balance sheet date, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that Public Bank held a beneficial interest in 434,408,110 ordinary shares of HK\$0.10 each in the Company, which represented approximately a 61.4% shareholding in the issued share capital of the Company.

Tan Sri Dato' Sri 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.

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 share capital of the Company or has any rights to subscribe for shares in respect of such capital.

Connected transactions

- (1) A tenancy arrangement was first made on 23 July 1997 and renewed subsequently by tenancy agreements between JCG Finance, a wholly-owned subsidiary, as the landlord and Public Bank, the ultimate holding company, as the tenant whereby JCG Finance agreed to lease an apartment located in Taikoo Shing, Hong Kong to Public Bank as its staff quarters. The existing tenancy agreement was entered into on 16 July 2002 for a term of two years commencing from 1 August 2002 to 31 July 2004 at a monthly rental of HK\$19,000.

A lease arrangement was first made on 1 September 1993 and renewed subsequently by tenancy agreements between JCG Finance as the landlord and Public Bank as the tenant whereby JCG Finance agreed to lease a portion of the office premises located at 11th Floor, Wing On House, Hong Kong to Public Bank as its office. The existing tenancy agreement was entered into on 14 June 2002 for a term of two years commencing from 1 August 2002 to 31 July 2004 at a monthly rental of HK\$35,775.

- (2) The Company's subsidiaries, Winton Financial Limited ("WFL") and Winton Financial (Factoring) Limited ("WFFL") entered into agreements with Public Bank, and WFFL entered into an agreement with JCG Finance 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.

Connected transactions (Continued)

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 Winton 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, Winton 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 Winton Group has with other co-financing banks. Under the Co-financing Arrangements, no interest income was received by Public Bank (2001: Nil) and JCG Finance (2001: Nil) from the Winton Group. No commission income was received by the Winton Group from Public Bank (2001: Nil) and JCG Finance (2001: Nil) under the Co-financing Arrangements.

The Company and Winton were separately granted conditional waivers by the Stock Exchange, under letters dated 19 and 7 April 2000, respectively, from strict compliance with the requirements of Chapter 14 of the Listing Rules in respect of the Guarantee provided by Winton 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 both the Company and Winton, 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 waivers granted to the Company and Winton.

- (3) Pursuant to 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 were 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).
- (4) 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 were HK\$6,938,000 (2001: HK\$11,684,000) and HK\$9,596,000 (2001: HK\$1,646,000), respectively.

The Company and Winton were separately granted conditional waivers by the Stock Exchange under letters dated 16 and 23 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 both the Company and Winton, 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 Winton.

- (5) During the year, Winton 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 Winton for the year from PBL in respect of the placements amounted to approximately HK\$1,435,000 (2001: HK\$12,214,000).
- (6) During the year, Winton (B.V.I.) Limited, a wholly-owned subsidiary of Winton, placed a fixed deposit with Public Bank at prevailing market rates. As at 31 December 2002, the fixed deposit 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).
- (7) During the year, Winton 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 Winton for the year from JCG Finance in respect of the placements amounted to approximately HK\$1,831,000 (2001: HK\$65,000).

Compliance with Supervisory Policy Manuals

The Group has followed the guidelines on “Financial Disclosure by Locally Incorporated Authorised Institutions” and “Corporate Governance of Locally Incorporated Authorised Institutions” under the Supervisory Policy Manuals issued by the Hong Kong Monetary Authority (“HKMA”).

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

22 January 2003