



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 2003.

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, 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 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 64.

A first interim dividend of 4.0 cents (2002: 4.5 cents) per ordinary share was paid on 28 August 2003. A second interim dividend of 20.0 cents (2002: Nil) per ordinary share was declared on 31 December 2003 and will be payable on 3 February 2004 to shareholders of the Company whose names appear on the register of members on 16 January 2004. The directors do not recommend the payment of a final dividend (2002: 13.5 cents).

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 25 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 notes 31 and 32 to the financial statements.

Pre-emptive rights

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



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Conversion and redemption of convertible preference shares of a subsidiary

On 3 March 2000, Winton 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 at the option of the holders at any time from 4 March 2002 up to 3 March 2005 and will be mandatorily converted into ordinary shares at the conversion price of HK\$0.33 each on 3 March 2005 provided that the condition of mandatory redemption, under which the said conversion price is below the par value of an ordinary share on the said maturity date, is not applicable at that time.

In the year 2002, 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 a notice of redemption to the holders of 1,911,651 CPS (other than those held by the Company) to redeem their 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.

The proposal to privatise Winton was approved by its shareholders at the Court Meeting and Special General Meeting both held on 27 February 2003. Winton became a wholly-owned subsidiary of the Company upon completion of its privatisation which took effect on 26 March 2003. In April 2003, Winton purchased all the 870,225,121 CPS from the Company at a consideration of HK\$0.33 each pursuant to the terms of CPS.

Purchase, sale or redemption of listed shares of the Company

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

Reserves

Details of movements in the reserves of the Group during the year are set out in the consolidated summary statement of changes in equity and note 33 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 2003, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$1,424,044,000 (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.



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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

In accordance with the Bye-laws of the Company, Mr. Tan Yoke Kong and Mr. Lee Huat Oon 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 40 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 its holding company, or any of its subsidiaries and fellow subsidiaries was a party at the balance sheet date or at any time during the year.



Report of the Directors

Directors' interests and short positions in shares and underlying shares

At the balance sheet date, the directors' interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, 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:

(a) Long positions in ordinary shares of the Company and associated corporations

Interests in	Name of director	Number of ordinary shares			Total	Percentage of interest in issued share capital
		Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
1. The Company	Tan Sri Dato' Sri					
	Dr. Teh Hong Piow	–	–	462,282,110	462,282,110	65.3164
	Tan Yoke Kong	50,000	–	–	50,000	0.0071
2. Public Bank, the ultimate holding company	Tan Sri Dato' Sri					
	Dr. Teh Hong Piow	1,562,500	–	1,542,016,890	1,543,579,390	24.0688
	Datuk Tay Ah Lek	2,789,749	–	278,965	3,068,714	0.0478
	Dato' Yeoh Chin Kee	–	37,500	–	37,500	0.0006
	Wong Kong Ming	182,524	–	–	182,524	0.0028
3. PB International Factors Sdn. Bhd., a fellow subsidiary	Tan Sri Dato' Sri					
	Dr. Teh Hong Piow	–	–	5,500,000	5,500,000	55.0000
4. Public Mutual Bhd., a fellow subsidiary	Tan Sri Dato' Sri					
	Dr. Teh Hong Piow	–	–	5,400,000	5,400,000	90.0000
5. Winsure Company, Limited, a subsidiary	Tan Sri Dato' Sri					
	Dr. Teh Hong Piow	–	–	15,500	15,500	96.8750

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 its associated corporations as disclosed above, to the extent that Public Bank has an interest.



Report of the Directors

Directors' interests and short positions in shares and underlying shares (Continued)

(b) Long positions in underlying shares of the Company and associated corporations

Interests in	Name of director	At the beginning of the year	Number of ordinary shares attached to the share options		At the end of the year	Exercise price	Exercisable period		
			Granted during the year	Exercised during the year					
Public Bank	Tan Sri Dato' Sri Dr.Teh Hong Piow	250,000	-	-	250,000	RM0.82	10.4.1998 to 24.2.2005		
		75,000	-	-	75,000	RM0.82	23.4.2001 to 24.2.2005		
		36,360,000	-	-	36,360,000	RM1.78	6.6.2002 to 24.2.2005		
		81,250	-	-	81,250	RM0.82	18.7.2002 to 24.2.2005		
		9,090,000	-	-	9,090,000	RM1.78	18.7.2002 to 24.2.2005		
		-	101,563*	-	101,563	RM0.82	25.7.2003 to 24.2.2005		
		-	11,362,500*	-	11,362,500	RM1.78	25.7.2003 to 24.2.2005		
		45,856,250	11,464,063	-	57,320,313				
		Datuk Tay Ah Lek		175,000	-	-	175,000	RM0.82	10.4.1998 to 24.2.2005
				52,500	-	-	52,500	RM0.82	23.4.2001 to 24.2.2005
10,000,000	-			-	10,000,000	RM1.78	6.6.2002 to 24.2.2005		
56,875	-			-	56,875	RM0.82	18.7.2002 to 24.2.2005		
2,500,000	-			-	2,500,000	RM1.78	18.7.2002 to 24.2.2005		
-	6,000,000			6,000,000	-	RM1.70	25.7.2003 to 24.2.2005		
-	71,094*			-	71,094	RM0.82	25.7.2003 to 24.2.2005		
-	3,125,000*			-	3,125,000	RM1.78	25.7.2003 to 24.2.2005		
-	1,500,000*			1,500,000	-	RM1.70	25.7.2003 to 24.2.2005		
12,784,375	10,696,094			7,500,000	15,980,469				
Wong Kong Ming		100,000	-	-	100,000	RM1.78	6.6.2002 to 24.2.2005		
		25,000	-	-	25,000	RM1.78	18.7.2002 to 24.2.2005		
		-	31,250*	-	31,250	RM1.78	25.7.2003 to 24.2.2005		
		125,000	31,250	-	156,250				

* Adjustments to the number of share options granted pursuant to Public Bank bonus issue during the year.



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Directors' interests and short positions in shares and underlying shares (Continued)

(b) Long positions in underlying shares of the Company and associated corporations (Continued)

Note: 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 as a result of the bonus issues of shares by Public Bank on 23 April 2001, 18 July 2002 and 25 July 2003. Further options were granted to employees of Public Bank on 6 June 2002 and 25 July 2003. The options are exercisable subject to the terms of the PBB ESOS.

Save as disclosed above, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code at the balance sheet date.

Directors' rights to acquire shares or debentures

Apart from the share option schemes disclosed above and set out in note 32 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 minor children 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, mortgage loans and taking of deposits from customers in Hong Kong through its fully licensed 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 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. The terms and conditions of other businesses of JCG Finance and Public Bank, Hong Kong Branch are also market driven.



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Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

At the balance sheet date, the register of interests and short positions in the shares and underlying shares of the Company kept under Section 336 of the SFO showed that, other than the interests of Tan Sri Dato' Sri Dr. Teh Hong Piow as disclosed above, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Name	Capacity	Number of ordinary shares	Percentage of interest in issued share capital
Substantial shareholder			
1. Public Bank	Beneficial owner	462,282,110	65.3164
Other person			
2. The Capital Group Companies, Inc.	Investment manager	49,027,800	6.9272

All the interests stated above represent long positions. Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded under Section 336 of the SFO at the balance sheet date.

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.

On 11 November 2003, a tenancy agreement was entered into between the Company as the landlord and Public Bank, Hong Kong Branch as the tenant whereby the Company agreed to lease the premises located at Shop A, Ground Floor, Wing On House, Hong Kong to Public Bank, Hong Kong Branch as its branch office for a term of three years commencing from 1 November 2003 to 31 October 2006 at a monthly rental of HK\$150,000 with an option to renew for a further two years at the then prevailing market rate.



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Connected transactions (Continued)

- (2) The Company's wholly-owned subsidiaries, Winton Financial Limited ("WFL") and Winton Financial (Factoring) Limited ("WFFL") entered into co-financing arrangements (the "Co-financing Arrangements") with Public Bank for the joint provision of hire purchase financing to purchasers of taxis and/or public light buses (the "Transaction"). The terms of the Co-financing Arrangements with Public Bank are essentially the same as those which the Group has with other co-financing banks.

During the year, no new hire purchase loan was granted by the Group under the Co-financing Arrangements with Public Bank (2002: Nil). There was no new guarantee provided by Winton, a wholly-owned subsidiary, to Public Bank (2002: Nil) in respect of borrowers who may default within one year of the co-financed hire purchase loans and Winton has no outstanding guarantee (2002: HK\$770,000) given to Public Bank. Under the Co-financing Arrangements, no interest income was received by Public Bank (2002: Nil) from the Winton Group and no commission income was received by the Winton Group from Public Bank (2002: Nil).

The Company was granted a conditional waiver by the Stock Exchange under the letter dated 19 April 2000 from strict compliance with the requirements of Chapter 14 of the Listing Rules in respect of the Transaction. 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 Transaction. The respective parties have concluded that the Transaction met the conditions imposed by the Stock Exchange under the conditional waiver granted to the Company.

- (3) Pursuant to the master dealer agreement entered into between Winton Motors, Limited ("WML"), a wholly-owned subsidiary, and Public Bank on 29 December 1994, WML may from time to time refer hirers to Public Bank for obtaining taxi financing loans, and in return, WML will receive dealer's commission from Public Bank (the "Transaction"). Dealer's commission received/receivable by WML for the year from Public Bank was HK\$9,975,000 (2002: HK\$9,596,000).

The Company was granted a conditional waiver by the Stock Exchange under the letter dated 16 May 2001 from strict compliance with the requirements of Chapter 14 of the Listing Rules in respect of the Transaction. 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 Transaction. The respective parties have concluded that the Transaction met the respective conditions imposed by the Stock Exchange under the conditional waiver granted to the Company.

- (4) During the year, the Group placed fixed deposits with Public Bank at prevailing market rates. As at 31 December 2003, the fixed deposits placed amounted to HK\$1,010,505,000 (2002: HK\$284,955,000). Interest income received/receivable by the Group for the year from Public Bank in respect of the placements amounted to approximately HK\$8,978,000 (2002: HK\$3,138,000).



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Compliance with Supervisory Policy Manual

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 Manual 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 appointed subject to retirement by rotation and re-election at annual general meetings 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

14 January 2004