

Report of the Directors

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2005.

Principal activities

The Company is an investment holding company. The principal activities of its subsidiaries during the year 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 20 to the financial statements.

Results and dividends

The Group's profit for the year ended 31 December 2005 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 38 to 99.

The first interim dividend of HK\$0.06 (2004: HK\$0.05) per ordinary share together with a special dividend of HK\$0.29 (2004: HK\$1.75) per ordinary share were paid on 30 September 2005. The second interim dividend of HK\$0.40 (2004: HK\$0.40) per ordinary share was declared on 30 December 2005 and will be payable on 21 February 2006 to shareholders of the Company whose names appear on the register of members on 8 February 2006. The directors do not recommend the payment of a final dividend for the year (2004: Nil).

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 6 to 7.

Investment properties, property, plant and equipment and land lease prepayments

Details of movements in the investment properties, property, plant and equipment and land lease prepayments of the Company and of the Group are set out in notes 17, 18 and 19 to the financial statements, respectively.

Share capital and share options

Details of movements of the Company's share capital and share options are set out in notes 27 and 28 to the financial statements, respectively.

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 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 Company and of the Group during the year are set out in note 30 to the financial statements and the consolidated summary statement of changes in equity, respectively.

Distributable reserves

The Company's contributed surplus is distributable to shareholders in accordance with the Companies Act 1981 of Bermuda. At 31 December 2005, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$144,941,000 (inclusive of the Company's contributed surplus) as computed in accordance with generally accepted accounting principles of Hong Kong, SAR. In addition, the Company's share premium account in the amount of approximately HK\$1,364,179,000 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
Dato' Sri Tay Ah Lek
Dato' Chang Kat Kiam
Wong Kong Ming

Executive Directors:

Tan Yoke Kong
Lee Huat Oon

Independent Non-executive Directors:

Dato' Yeoh Chin Kee
Geh Cheng Hooi, Paul
Lee Chin Guan

In accordance with the Bye-laws, Tan Sri Dato' Sri Dr. Teh Hong Piow, Dato' Sri Tay Ah Lek and Mr. Geh Cheng Hooi, Paul shall 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 8 and 9 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 any of 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 36 to the financial statements and in the section headed "Connected transactions" below, no director had a beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, 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.

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 pursuant to 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	–	–	466,768,110	466,768,110	64.0053
	Tan Yoke Kong	80,000	–	–	80,000	0.0110
	Lee Huat Oon	20,000	–	–	20,000	0.0027
2. Public Bank, the ultimate holding company	Tan Sri Dato' Sri Dr. Teh Hong Piow	21,524,250	–	786,468,596	807,992,846	23.6437
	Dato' Sri Tay Ah Lek	5,810,109	–	139,482	5,949,591	0.1741
	Dato' Yeoh Chin Kee	1,110,000	400,000	–	1,510,000	0.0442
	Lee Chin Guan	1,250,000	–	–	1,250,000	0.0366
	Dato' Chang Kat Kiam	166,435	–	–	166,435	0.0049
	Tan Yoke Kong	15,000	–	–	15,000	0.0004
	Lee Huat Oon	5,000	–	–	5,000	0.0001
Wong Kong Ming	176,386	–	–	176,386	0.0052	
3. Public Mutual Bhd., a fellow subsidiary	Tan Sri Dato' Sri Dr. Teh Hong Piow	–	–	5,400,000	5,400,000	90.0000
4. 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 direct and indirect interests of 807,992,846 shares in Public Bank, is also deemed interested in the shares of the Company and its associated corporations as disclosed above, to the extent Public Bank has interests.

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

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

Interests in	Name of director	Number of ordinary shares attached to the share options				Exercise price	Exercise period
		At the beginning of the year	Granted during the year	Exercised during the year	At the end of the year		
1. The Company	Tan Sri Dato' Sri Dr. Teh Hong Piow	–	700,000	700,000	–	HK\$7.29	10.6.2005 to 9.6.2015
	Tan Yoke Kong	–	4,558,000	2,630,000	1,928,000	HK\$7.29	10.6.2005 to 9.6.2015
	Lee Huat Oon	–	4,450,000	1,280,000	3,170,000	HK\$7.29	10.6.2005 to 9.6.2015
	Dato' Sri Tay Ah Lek	–	4,000,000	2,320,000	1,680,000	HK\$7.29	10.6.2005 to 9.6.2015
	Dato' Chang Kat Kiam	–	4,000,000	2,320,000	1,680,000	HK\$7.29	10.6.2005 to 9.6.2015
	Wong Kong Ming	–	4,000,000	–	4,000,000	HK\$7.29	10.6.2005 to 9.6.2015
	Dato' Yeoh Chin Kee	–	700,000	–	700,000	HK\$7.29	10.6.2005 to 9.6.2015
	Geh Cheng Hooi, Paul	–	700,000	–	700,000	HK\$7.29	10.6.2005 to 9.6.2015
	Lee Chin Guan	–	700,000	350,000	350,000	HK\$7.29	10.6.2005 to 9.6.2015
2. Public Bank	Tan Sri Dato' Sri Dr. Teh Hong Piow	20,743,000	–	20,743,000	–	RM4.92	9.6.2004 to 24.2.2008
	Dato' Sri Tay Ah Lek	750,000	–	750,000	–	RM3.56	18.7.2002 to 24.2.2008
		1,562,500	–	1,562,500	–	RM3.56	25.7.2003 to 24.2.2008
		2,000,000	–	2,000,000	–	RM4.60	6.2.2004 to 24.2.2008
		5,000,000	–	5,000,000	–	RM4.92	9.6.2004 to 24.2.2008
		–	4,500,000	–	4,500,000	RM6.37	24.2.2005 to 24.2.2008
		–	4,000,000	–	4,000,000	RM5.67	5.12.2005 to 24.2.2008
		9,312,500	8,500,000	9,312,500	8,500,000		

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

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

Interests in	Name of director	Number of ordinary shares attached to the share options				Exercise price	Exercise period
		At the beginning of the year	Granted during the year	Exercised during the year	At the end of the year		
2. Public Bank (Continued)	Dato' Yeoh Chin Kee	2,000,000	-	2,000,000	-	RM4.92	9.6.2004 to 24.2.2008
		-	2,025,000	-	2,025,000	RM6.37	24.2.2005 to 24.2.2008
		-	2,250,000	-	2,250,000	RM5.67	5.12.2005 to 24.2.2008
			2,000,000	4,275,000	2,000,000	4,275,000	
	Lee Chin Guan	-	1,125,000	-	1,125,000	RM6.37	24.2.2005 to 24.2.2008
		-	1,250,000	-	1,250,000	RM5.67	5.12.2005 to 24.2.2008
		-	2,375,000	-	2,375,000		
			125,000	253,000	125,000	253,000	
	Dato' Chang Kat Kiam	125,000	-	125,000	-	RM4.60	22.12.2003 to 24.2.2008
		-	123,000	-	123,000	RM6.37	24.2.2005 to 24.2.2008
		-	130,000	-	130,000	RM5.67	5.12.2005 to 24.2.2008
			125,000	253,000	125,000	253,000	
Tan Yoke Kong	-	30,000	-	30,000	RM6.37	15.2.2005 to 24.2.2008	
	-	40,000	-	40,000	RM5.67	5.12.2005 to 24.2.2008	
	-	70,000	-	70,000			
		-	20,000	-	20,000		
Lee Huat Oon	-	20,000	-	20,000	RM6.37	15.2.2005 to 24.2.2008	
	-	30,000	-	30,000	RM5.67	5.12.2005 to 24.2.2008	
	-	50,000	-	50,000			
		-	50,000	-	50,000		

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

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

Interests in	Name of director	Number of ordinary shares attached to the share options			At the end of the year	Exercise price	Exercise period
		At the beginning of the year	Granted during the year	Exercised during the year			
2. Public Bank (Continued)	Wong Kong Ming	15,000	–	7,000	8,000	RM4.92	17.6.2004 to 24.2.2008
		–	10,000	–	10,000	RM6.37	16.2.2005 to 24.2.2008
		–	25,000	–	25,000	RM5.67	5.12.2005 to 24.2.2008
		15,000	35,000	7,000	43,000		

Notes:

- The options to subscribe for ordinary shares of HK\$0.10 each in the Company are only exercisable during certain periods as notified by the board or the Share Option Committee to each grantee which the Company may in its absolute discretion determine from time to time before the expiry of the share options on 9 June 2015.
- The options to subscribe for ordinary shares of RM1.00 each in Public Bank were first granted on 10 April 1998 under the Public Bank Berhad Employees' Share Option Scheme (the "PBB ESOS"). Following approvals from the relevant authorities and the shareholders of Public Bank at the extraordinary general meetings held on 20 May 2002, 20 April 2004 and 30 March 2005, the PBB ESOS has been extended for a total of five years to 25 February 2008. Hence, the exercise period of the options has also been extended up to and including 24 February 2008. 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 28 to the financial statements, at no time during the year was the Company, its holding company or any of its subsidiaries and 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 acquisition of shares in, or debentures of, the Company or in any other body corporate.

Directors' interests in competing businesses

Tan Sri Dato' Sri Dr. Teh Hong Piow and Dato' Sri 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 the 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 was referred by a wholly-owned subsidiary of the Company, Winton Motors, Limited 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.

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	466,768,110	64.0053
Other person			
2. The Capital Group Companies, Inc.	Investment manager	41,363,278	5.6719

All the interests stated above represent long positions. Save as disclosed above and under the heading "Directors' interests and short positions in shares and underlying shares", no person 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 let an apartment located in Taikoo Shing, Hong Kong to Public Bank as its staff quarters. The existing tenancy agreement was entered into on 15 July 2004 for a term of two years commencing from 1 August 2004 to 31 July 2006 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 let 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 6 July 2004 for a term of two years commencing from 1 August 2004 to 31 July 2006 at a monthly rental of HK\$33,000.

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 let 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.

Connected transactions (Continued)

- (2) 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\$196,000 (2004: HK\$5,397,000).

The Transaction is only subject to the reporting requirements set out in Rules 14A.45 and 14A.46 of the Listing Rules. Mr. Geh Cheng Hooi, Paul, Dato’ Yeoh Chin Kee and Mr. Lee Chin Guan, the Independent Non-executive Directors of the Company, have reviewed the Transaction. They have confirmed that the Transaction was entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the relevant master dealer agreement on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole. The auditors have also confirmed that (i) the Transaction received the approval of the Company’s board of directors; (ii) the terms were in accordance with the pricing policy of WML; (iii) the Transaction was entered into in accordance with the relevant master dealer agreement; and (iv) the dealer’s commission received/receivable by WML did not exceed the percentage ratios as allowed under Rule 14A.34 of the Listing Rules.

- (3) During the year, the Group placed cash and short term funds with Public Bank at prevailing market rates. As at 31 December 2005, the cash and short term funds placed amounted to HK\$21,207,000 (2004: HK\$22,171,000). Interest income received/receivable by the Group for the year from Public Bank in respect of the placements amounted to approximately HK\$198,000 (2004: HK\$4,590,000).
- (4) During the year, fixed deposits were accepted from PB Trust (L) Ltd., a fellow subsidiary of the Company, in the ordinary course of business and on normal commercial terms by JCG Finance. As at 31 December 2005, fixed deposits placed amounted to HK\$476,728,000 (2004: HK\$700,161,000). Interest paid/payable to PB Trust (L) Ltd. for the year by JCG Finance in respect of the placements amounted to approximately HK\$10,995,000 (2004: HK\$2,005,000).

The related party transactions as disclosed in note 36(a), (b), (c) and (e) to the financial statements also fell under the definition of “connected transaction” or “continuing connected transaction” in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements, where applicable, in accordance with Chapter 14A of the Listing Rules.

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 HKMA.

Corporate governance

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting year covered by this annual report, in compliance with the Code on CGP as set out in Appendix 14 of the Listing Rules except for the deviations in respect of the service term and rotation of directors under code provisions A.4.1 and A.4.2 of the Listing Rules.

Corporate governance (Continued)

Under code provisions A.4.1 and A.4.2 of the Listing Rules, (a) non-executive directors should be appointed for specific terms and subject to re-election, and (b) all directors appointed to fill casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Bye-laws, one-third of the directors for the time being shall retire from office by rotation at each annual general meeting. The directors to retire by rotation shall be those who wish to retire and do not wish to offer themselves for re-election, those who were appointed by the board during the year to fill casual vacancy and those who have been longest in office since their last re-election or appointment. However, as between directors who became or were last re-elected on the same day, those to retire shall be determined by drawing lots (unless they otherwise agree among themselves). As there are nine directors, and one-third of them shall retire subject to rotation, and barring unforeseen resignation/retirement during a year, each director is effectively appointed under an average term of 3 years. Any director appointed to fill a casual vacancy or as an addition to the board shall hold office only until the next annual general meeting of the Company and shall retire and be subject to re-election. The board has reviewed and proposed some amendments to the relevant Bye-laws for approval of the shareholders at the forthcoming annual general meeting.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of its directors, the directors confirmed that the Company has maintained the amount of public float as required under the Listing Rules during the year.

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

11 January 2006