



Guoco Group Limited

國浩集團有限公司

(a company incorporated in Bermuda with limited liability)

Announcement of 2001/2002 Final Results

RESULTS

The Board of Directors of Guoco Group Limited (“the Company”) is pleased to announce its audited consolidated results for the financial year ended 30 June 2002 together with comparative figures for the previous year as follows:

Consolidated Income Statement

	Note	2002 HK\$'000	2001 HK\$'000
Turnover			
Continuing operations		2,086,380	1,882,439
Discontinued operations		—	10,019,738
	2 & 3	2,086,380	11,902,177
Cost of property sales		(880,578)	(1,193,260)
Interest expenses of discontinued operations		—	(5,895,035)
Other attributable costs		(219,201)	(234,757)
		986,601	4,579,125
Other revenue		15,553	16,590
Other net income	4	1,111,626	131,090
Administrative expenses		(304,297)	(2,022,124)
Other operating expenses		(14,656)	(26,660)
Provisions for bad and doubtful loans and advances for discontinued operations		—	(507,085)
Operating profit before finance cost		1,794,827	2,170,936
Finance cost for non-banking operations		(163,736)	(446,887)
Operating profit			
Continuing operations		1,631,091	(64,590)
Discontinued operations		—	1,788,639
	2	1,631,091	1,724,049
Profit on disposal of subsidiaries		—	22,630,070
Profit on disposal of an associate		105,322	—
Provision for investments in subsidiaries, associates and jointly controlled entities		—	(2,538,702)
Impairment loss on properties		(540,276)	(51,010)
Deficit on revaluation of investment properties		(11,325)	—
Net loss on disposal of investment properties		(104,815)	—
Operating profit on ordinary activities		1,079,997	21,764,407
Share of profits less losses of associates		388,302	39,888
Share of profits less losses of jointly controlled entities		(1,802)	49,794

Profit from ordinary activities before taxation	5	1,466,497	21,854,089
Taxation	6	(262,233)	(375,730)
Profit after taxation		1,204,264	21,478,359
Minority interests		376,431	(214,220)
Profit attributable to shareholders	2	1,580,695	21,264,139
Appropriations:			
2001 Final dividend paid	7	(194,449)	(234,647)
2002 Interim dividend paid	7	(129,633)	(85,326)
Retained profit for the year		<u>1,256,613</u>	<u>20,944,166</u>
Retained in:			
The Company and its subsidiaries		1,033,559	20,958,518
Associates		224,856	(55,292)
Jointly controlled entities		(1,802)	40,940
		<u>1,256,613</u>	<u>20,944,166</u>
Earnings per share		HK\$	HK\$
Basic	8	<u>4.31</u>	<u>49.83</u>
Diluted	8	<u>4.20</u>	<u>49.60</u>
		HK\$'000	HK\$'000
Proposed final dividend	7	<u>226,857</u>	<u>256,255</u>

1. Significant accounting policies

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and the marking to market of certain financial instruments.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2001, except as described below.

Segment reporting

The Group has adopted the new SSAP 26 "Segment reporting" and has changed the basis of identifying reportable segments. Segment disclosures for the year ended 30 June 2001 have been amended so that they are presented on a consistent basis.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

i. Business Segments

The Group comprises the following main business segments:

Treasury, fund and investment management	: Provision of fund management services, treasury and investment management
Property development	: Development of residential and commercial properties
Property investment	: Holding properties for rental income

Securities, commodities and brokerage	: Stock and commodity broking
Insurance	: Insurance and reinsurance of all classes of general insurance risk

ii. Geographical Segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

Presentation of financial statements

The Group has early adopted the revised SSAP 1 “Presentation of Financial Statements” and a consolidated statement of changes in equity was prepared to replace the consolidated statement of recognised gains and losses that was previously reported.

2. Segmental information

Business Segments

	Continuing operations					Discontinued operations		
	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Securities, commodities and brokerage <i>HK\$'000</i>	Treasury, fund and investment management <i>HK\$'000</i>	Banking and financing <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue and expenses								
For the year ended 30 June 2002								
Turnover	982,975	149,150	181,714	54,506	718,035	—	—	2,086,380
Inter-segment turnover	—	6,380	3,214	14,937	98,583	—	(123,114)	—
	<u>982,975</u>	<u>155,530</u>	<u>184,928</u>	<u>69,443</u>	<u>816,618</u>	<u>—</u>	<u>(123,114)</u>	<u>2,086,380</u>
Contribution from operations	89,059	101,430	(1,006)	6,755	1,657,174	—	—	1,853,412
Unallocated income								2,434
Unallocated expenses								(61,019)
Operating profit before finance cost								1,794,827
Finance cost for non-banking operations								(163,736)
Operating profit								1,631,091
Profit on disposal of an associate								105,322
Impairment loss on properties	(497,252)	—	(4,602)	—	(38,422)	—	—	(540,276)
Deficit on revaluation of investment properties	—	(11,325)	—	—	—	—	—	(11,325)
Net loss on disposal of investment properties								(104,815)
Operating profit on ordinary activities								1,079,997
Share of profits less losses of associates	36,426	104,753	—	—	247,123	—	—	388,302
Share of profits less losses of jointly controlled entities	—	—	—	—	(1,802)	—	—	(1,802)
Profit from ordinary activities before taxation								1,466,497
Taxation								(262,233)
Profit after taxation								1,204,264
Minority interests								376,431
Profit attributable to shareholders								<u>1,580,695</u>

Revenue and expenses

For the year ended 30 June 2001

Turnover	1,235,278	174,504	170,019	92,450	210,188	10,019,738	—	11,902,177
Inter-segment turnover	—	3,962	13,111	30,380	433,877	—	(481,330)	—
	<u>1,235,278</u>	<u>178,466</u>	<u>183,130</u>	<u>122,830</u>	<u>644,065</u>	<u>10,019,738</u>	<u>(481,330)</u>	<u>11,902,177</u>
Contribution from operations	36,394	119,687	19,453	31,846	219,345	1,788,639	—	2,215,364
Unallocated income								7,823
Unallocated expenses								(52,251)
Operating profit before finance cost								2,170,936
Finance cost for non-banking operations								(446,887)
Operating profit								1,724,049
Profit on disposal of subsidiaries								22,630,070
Provision for investments in subsidiaries, associates and jointly controlled entities								(2,538,702)
Impairment loss on properties	(51,010)	—	—	—	—	—		(51,010)
Operating profit on ordinary activities								21,764,407
Share of profits less losses of associates	9,087	170,284	—	—	(139,483)	—		39,888
Share of profits less losses of jointly controlled entities	—	—	—	—	(3,213)	53,007		49,794
Profit from ordinary activities before taxation								21,854,089
Taxation								(375,730)
Profit after taxation								21,478,359
Minority interests								(214,220)
Profit attributable to shareholders								<u>21,264,139</u>

Geographical Segments

	Turnover		Operating profit/(loss)	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Hong Kong	855,127	241,293	1,622,925	(181,383)
Singapore	1,033,721	1,040,744	(117,193)	75,213
Asia (excluding Hong Kong and Singapore)	189,397	592,025	117,232	33,695
Others	8,135	8,377	8,127	7,885
	<u>2,086,380</u>	<u>1,882,439</u>	<u>1,631,091</u>	<u>(64,590)</u>
Discontinued operations				
Hong Kong	—	9,665,505	—	1,758,462
Asia (excluding Hong Kong)	—	148,234	—	13,969
Others	—	205,999	—	16,208
	<u>—</u>	<u>10,019,738</u>	<u>—</u>	<u>1,788,639</u>
	<u>2,086,380</u>	<u>11,902,177</u>	<u>1,631,091</u>	<u>1,724,049</u>

	Segment Assets		Capital Expenditure	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	25,004,413	32,245,383	25,630	178,287
Singapore	8,069,847	9,888,079	2,122	6,177
Asia (excluding Hong Kong and Singapore)	2,277,243	2,233,544	1,201	164
Others	1,713,334	1,941,849	—	—
	<u>37,064,837</u>	<u>46,308,855</u>	<u>28,953</u>	<u>184,628</u>

3. Turnover

	2002	2001
	HK\$'000	HK\$'000
Continuing operations		
Income from sale of properties	982,975	1,235,278
Interest income from non-banking operations	469,287	56,174
Dividend income from listed and unlisted securities	180,833	48,553
Gross insurance premiums	179,866	170,019
Rental income from properties	128,106	158,171
Securities, commission and brokerage	42,166	75,603
Income from sale of investments in securities	31,590	88,184
Other income	71,557	50,457
	<u>2,086,380</u>	<u>1,882,439</u>
Discontinued operations		
Interest income from banking operations	—	8,860,461
Other income from banking operations	—	1,159,277
	<u>—</u>	<u>10,019,738</u>
	<u>2,086,380</u>	<u>11,902,177</u>

4. Other net income

	2002	2001
	HK\$'000	HK\$'000
Net realised gains on other investments	836,133	10,647
Net exchange gains / (losses)	349,631	(6,614)
Gains on foreign exchange dealing	17,308	11,653
Net profits from dealing investments	1,607	1,146
Net profits on disposal of fixed assets	1,123	15,771
Net unrealised (losses) / gains on other investments	(110,595)	143,632
Others	16,419	(45,145)
	<u>1,111,626</u>	<u>131,090</u>

5. Profit from ordinary activities before taxation

Profit from ordinary activities before taxation of the Group is arrived at:

	2002 HK\$'000	2001 HK\$'000
after charging:		
Staff costs (including retirement scheme contributions of HK\$7,184,000 (2001: HK\$21,286,000))	152,675	1,081,428
Depreciation	19,508	254,904
Operating lease charges		
— properties	17,113	65,541
— others	125	140
Amortisation of goodwill included in share of profits less losses of associates	3,471	122,690
Auditors' remuneration	1,981	7,012
Impairment loss on properties	540,276	51,010
Donations	530	1,466
and crediting:		
Amortisation of negative goodwill	632	97,263
Gross rental income from investment properties	128,106	158,171
Less: direct outgoings	(13,642)	(10,171)
Net rental income	114,464	148,000
Share of profits less losses of associates:		
— Listed	361,603	217,371
— Unlisted	26,699	(177,483)
	<u>388,302</u>	<u>39,888</u>

6. Taxation

	2002 HK\$'000	2001 HK\$'000
Hong Kong Profits Tax	20,420	188,918
Overseas taxation	32,877	43,757
Deferred taxation	45,489	39,022
	98,786	271,697
Share of associates' taxation	163,447	95,180
Share of jointly controlled entities' taxation	—	8,853
	<u>262,233</u>	<u>375,730</u>

Provision for Hong Kong Profits Tax is based on the estimated assessable profits for the year at the rate of 16% (2001:16%). Taxation for overseas subsidiaries is charged at the appropriate rates of taxation ruling in the countries in which they operate.

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallize in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

7. Dividends

	2002 HK\$'000	2001 HK\$'000
2001: Final dividend paid of HK\$0.60 per share (2000: HK\$0.55 per share)	194,449	234,647
2002: Interim dividend paid of HK\$0.40 per share (2001: HK\$0.20 per share)	129,633	85,326
	<u>324,082</u>	<u>319,973</u>
2002: Proposed final dividend of HK\$0.70 per share (2001: HK\$0.60 per share)	<u>226,857</u>	<u>256,255</u>

The proposed final dividend for the year ended 30 June 2002 of HK\$226,857,000 (2001: HK\$256,255,000) is calculated based on 324,081,373 ordinary shares (2001: 427,091,086 ordinary shares) in issue as at 30 June 2002.

8. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$1,580,695,000 (2001: HK\$21,264,139,000) and on the weighted average number of 367,103,637 ordinary shares (2001: 426,711,908 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of HK\$1,558,030,000 (2001: HK\$21,262,041,000) and the weighted average number of 370,762,460 ordinary shares (2001: 428,679,403 ordinary shares) in issue during the year after adjusting for the effect of all dilutive potential ordinary shares.

(c) Reconciliations

	2002 Number of shares	2001 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	367,103,637	426,711,908
Deemed issue of ordinary shares under share option scheme	<u>3,658,823</u>	<u>1,967,495</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>370,762,460</u>	<u>428,679,403</u>

9. Hong Kong dollar amounts

The financial statements of the Company are maintained in United States dollars. The accounting figures shown above have been translated from United States dollars into Hong Kong dollars equivalents at the rates ruling at the respective financial year ends for presentation purposes only (2002: US\$1 = HK\$7.7999, 2001: US\$1 = HK\$7.79975).

DIVIDENDS

The Directors are recommending to the shareholders, for approval at the forthcoming Annual General Meeting, payment of a final dividend of HK\$0.70 (2001: HK\$0.60) per share amounting to HK\$227 million for the financial year ended 30 June 2002 (2001: HK\$256 million). Together with the interim dividend of HK\$0.40 (2001: HK\$0.20) per share totalling HK\$130 million (2001: HK\$85 million) paid on 3 April 2002, the total distribution of the year will amount to HK\$1.10 per share totalling HK\$357 million (2001: HK\$0.80 per share totalling HK\$341 million). Subject to shareholders' approval, the final dividend will be payable on 23 November 2002 to the shareholders whose names appear on the Register of Members on 22 November 2002.

FINANCIAL RESULTS

The consolidated profit attributable to shareholders, after taxation and minority interests amounted to HK\$1,581 million. Basic earnings per share were HK\$4.31 per share. Consolidated shareholders' funds as at 30 June 2002 were HK\$27.9 billion. The Group has done well in attaining a level of operating profits and earnings per share comparable to the level before the disposal of Dao Heng Bank Group.

An increase in turnover of 11% to HK\$2,086 million from continuing operations was achieved. This is mainly attributable to the increase in treasury, fund and investment management activities of 242% or HK\$508 million, arising primarily from an increase in interest income of HK\$413 million and dividend income of HK\$132 million. Turnover from the property development sector decreased by 20%. The securities, commodities and brokerage sector however declined by 41%.

Treasury, fund and investment management sector accounted for about 89% of the contribution from operations while the property development sector and property investment sector contributed approximately 5% each.

REVIEW OF OPERATIONS

Treasury and Investment Strategies

As part of the overall investment process, the Group has also strengthened its treasury operations so as to prudently manage its liquidity in anticipation of core investment opportunities. During the financial year, the Group has established an operating infrastructure to manage our investment funds arising from the disposal of Dao Heng Bank Group in an efficient and effective manner with proper risk management in place.

Considering the general slow down in the global economies coupled with deteriorating fundamentals and recent US corporate governance scandals, the Group took a prudent stance towards investment, which with the benefit of hindsight, has been proved to be correct.

During the financial year, major market indices have declined significantly. These major market indices declined 10% to 32% during the fiscal year and a further 12% to 21% subsequent to 30 June 2002.

To direct the prudent reinvestment of the proceeds received from the disposal of Dao Heng Bank Group, the Board established an Investment Committee to formulate and refine the Group's investment strategies. The Investment Committee also oversees and directs the ongoing investment process and regularly reviews the Group's risk related policies and controls.

With the Group's increased interest in treasury activity, the Group undertook to further strengthen its financial management capabilities and controls. It established policies and procedures for the identification, measurement, control and monitoring of credit, liquidity, foreign exchange, interest rate and market risks. The internal audit department assures compliance with these policies, procedures and regulatory requirements by regular audits.

The Investment Committee devised investment policies and parameters covering core investment, time deposits, money market instruments, fixed income, equities and financial instruments. The Group also adopted stringent concentration risks control guidelines including setting limits for country risk, counterparty, currency and duration. In evaluating the credit risk of the counterparties, their financial strength with reference to their credit ratings and settlement ability are the primary considerations.

In view of the volatility of the currency markets, the Group is exercising close and active monitoring its foreign currency exposures. Appropriate financial instruments are utilized to manage our interest rate and foreign currency exposures including standard interest rate and currency swaps. It should be emphasized that the Investment Committee policy specifically prohibits exotic financial instruments.

Ultimately, the major objective of the Group is to invest in core businesses that will create value for its shareholders. As such, the Group's management is continuously exploring new investment opportunities to lay the foundation for sustainable growth and scalability. To that end, value investment opportunities are being evaluated with particular focus on distressed companies with good assets and prospects where the Group's highly disciplined approach to financial and operating management will create value. It is the view of the Group that markets will provide good investment opportunities. While the Group has core businesses in the financial services and property sectors, it will consider investments in new sectors that satisfy the Investment Committee's investment criteria for profitable growth and returns for shareholders.

Property Division

To streamline and posture the Group's property business for growth opportunities, the Group has entered into a restructuring with First Capital Corporation Ltd ("FCC"), which will now focus on property. The transactions include the transfer of the Group's 55% interest in Guoco Properties Limited ("GPL") and 30% interest in Guoman Hotel & Resort Holdings Sdn Bhd ("GHRH") to FCC and the acquisition from FCC of its approximately 9.6% interest in Overseas Union Enterprise Limited ("OUE").

The shareholders of FCC in the general meeting held on 7 October 2002 have approved the transactions. The acquisition of the interest in OUE has been completed on 9 October 2002. The disposal transactions of interests in GPL and GHRH are expected to be completed in December 2002.

First Capital Corporation Ltd - 54.69% owned by the Group

The Singapore operating environment for FCC was most competitive and challenging in this financial year. There was an excess supply of residential property units coupled with weak demand. Compared to the last financial year, the FCC Group's turnover however decreased only slightly by 3% to S\$234.1 million for the year ended 30 June 2002. An operating loss after tax of S\$179.9 million was recorded in comparison with S\$24.2 million in the last financial year. FCC Group's associated companies contributed a profit of S\$33.1 million, an increase of 4% over the last financial year, which was mainly from its 34.54% associate, Benchmark Group PLC.

In line with FCC's intended focus on property and property-related activities in key investment countries of Singapore, the United Kingdom and China, FCC divested its non-core property assets, ceased its fund management and advisory services and has sold down its short term trading portfolio during the financial year. Subsequent to the financial year-end, FCC also concluded a sale and purchase agreement for the sale of its interest in its insurance subsidiary to an unrelated third party.

Guoco Properties Limited - 55% owned by the Group and 45% by FCC

GPL has a 75% interest in Corporate Square, a 17-storey office development located along Financial Street of Beijing. Approximately 60% of the office space in Corporate Square was sold and about 23% of the office areas had been leased out. Management of GPL continues to actively market the remaining office space for sale at currently improved prevailing market prices.

GPL has a 98% interest in the development of a high-end, 300-unit residential development in Shanghai. The site is strategically situated on prime land within the most up-market shopping belt along Huai Hai Zhong Lu in Luwan District, Shanghai.

As reported above, the Group will soon transfer its interest in GPL to FCC.

Financial Industry Group

The Group has concentrated on adding value and enhancing our existing financial industry businesses by utilizing the Group's experience in the financial industry sector in Asia. While the Group has continuously assessed core investment opportunities in the sector, it has chosen not to invest as current values and market outlook are still not favourable.

Hong Leong Credit Berhad ("HLC") - 23.31% owned by the Group

HLC achieved a profit before taxation of approximately RM779.8 million for this financial year, an increase of 35.5% over the last financial year. All divisions in the HLC Group reported profits for the financial year.

The banking division recorded a pre-tax profit of RM705.8 million, an increase of 14.9% over the last financial year. The insurance division achieved a pre-tax profit of RM98.5 million, an increase of 321% over the last financial year mainly due to the improved performance of its investments.

The stock broking division recorded a pre-tax profit of RM3.8 million as compared to a RM30.1 million loss in the prior year. The improved results are substantially due to lower operating costs attributable to streamlining and increased trading volume.

The property division recorded a pre-tax profit of RM30.1 million as compared to RM11.4 million in the previous financial year.

Hong Kong Financial Services Subsidiaries

When the Group sold Dao Heng Bank Group to Development Bank of Singapore Ltd (“DBS”) in the last financial year, it announced that it would enter into negotiation to sell the remaining Hong Kong financial service businesses to DBS. During the current financial year, DBS advised the Group that it had decided not to buy those assets.

Consequently, these subsidiaries have jointly organised the implementation of Dao Heng ● Wealth Management, a multi-product wealth management distribution platform that provides integrated and customer-centric wealth management services and financial planning. Recognising that the financial services subsidiaries already have an existing base of clients many of whom will benefit from such wealth management service, a Customer Relationship Management System has been implemented with associated statistical and behavioral modules to offer the right products and services to customers.

A series of wealth management programmes were launched in September 2002, including innovative monthly savings plans for long-term wealth creation, and yield-enhancing products for shorter-term investors. A balanced and prudent approach will be adopted to manage these assets.

In the wake of the deteriorating Hong Kong economic environment, diminishing market turnover and continuing high unemployment rate, our financial services subsidiaries comprising Dao Heng Securities Limited, Dao Heng Fund Management Limited and Dao Heng Insurance Co., Limited are facing increasing challenges. In order to enhance productivity, this financial services group is undertaking major cost control measure and other initiatives to streamline its operations.

FINANCIAL COMMENTARY

Borrowings

By 30 June 2002, the Group had reduced its total borrowings by 41% to HK\$6,195 million from HK\$10,449 million as at 30 June 2001. Unsecured borrowing comprises 47% of total borrowings. All borrowings are by FCC and primarily represent FCC’s property loans.

The Group's bank loans, overdrafts and other borrowings were repayable as follows:

	Bank loans	Other borrowings	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
On demand or within 1 year	2,136,658	595,093	2,731,751
After 1 year but within 2 years	2,166,094	484,842	2,650,936
After 2 years but within 5 years	601,872	210,691	812,563
	<u>2,767,966</u>	<u>695,533</u>	<u>3,463,499</u>
	<u>4,904,624</u>	<u>1,290,626</u>	<u>6,195,250</u>

The loans are secured by the following:

- legal mortgages on investment properties with a book value of HK\$640 million;
- legal mortgages on development properties with a book value of HK\$3,699 million; and
- certain equity investments with total carrying value of HK\$1,115 million.

As at 30 June 2002, the Group has net cash balance of HK\$7,170 million after netting off the total borrowings of HK\$6,195 million.

Contingent Liabilities

As at 30 June 2002, there were contingent liabilities in respect of guarantees given to bankers by the Group and the Company to secure banking facilities to the extent of HK\$324 million (2001:HK\$320 million) and HK\$165 million (2001:HK\$2,973 million) respectively granted to group companies and certain investee companies of the Group.

Capital and Finance

The Group's consolidated shareholders' funds as at 30 June 2002 after adjusting for the major items set out below, amounted to HK\$27,906 million. The major adjustments are as follows:

- realisation of reserves of HK\$4,962 million upon the share repurchase by the Company;
- cancellation of share capital of HK\$417 million upon the share repurchase by the Company; and
- revaluation deficit for investment properties of HK\$232 million.

HUMAN RESOURCES AND TRAINING

Including its subsidiaries in Hong Kong and overseas, the Group employed approximately 430 employees as at 30 June 2002. The Group continued to follow a disciplined approach so as to achieve an optimal and efficient workforce size. While streamlining exercises are being carried out to ensure a rightsized workforce, ongoing development of its existing staff is emphasized to enhance their productivity and quality of services.

Management on a regular basis reviews the remuneration policy for the Group's employees. Remuneration packages are structured to take into account the level and composition of pay and general market conditions in the respective countries and businesses in which the Group operates. Bonus and other merit payments are linked to the financial performance of the Group and individual performance to encourage productive staff contribution. Share options may also be granted from time to time to eligible employees in accordance with the share option scheme adopted by the Company to provide incentive to optimise their performance and foster loyalty towards the Group.

OUTLOOK

The outlook for the global economies remains fraught with uncertainties, evidenced by an unprecedented range of globally destabilizing events. These include the possibility of military action in the Middle East and elsewhere, action relating to global terrorism, and the possibility of a double or multiple dip recession in the United States exacerbated by accounting and corporate governance issues. Further, the prospects of earnings impairment, major currency realignments, credit issues and diminishing consumer confidence could continue to dampen recovery.

While Asia is not immune to these challenges, it is reasonable to anticipate that Greater China's engine of domestic growth will help moderate these negative influences. As a consequence, the Asian regional economies are forecasted to grow by 5.9% this year and 6.1% next year, more than double the expected world economic expansion rate of 2.8%.

We believe that the Group is particularly well positioned to take advantage of this difficult economic environment. The scenario is likely to offer an increasing number of companies that are distressed either financially or on a cost-competitive basis or with respect to growth in their traditional markets. Prices for such assets may continue to fall. We will seek to make well-timed entries to take advantage of such opportunities and grow the value of the assets to the substantial benefit of our shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

On 26 November 2001, the Company repurchased 106,999,713 shares in the Company at HK\$50.00 per share pursuant to a conditional cash offer made by the Company.

Save as disclosed above, during the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company complied throughout the year with the Code of Best Practice adopted by the Company based on the guidelines set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

A Board Audit Committee has been established on 9 October 1998 with written terms of reference. The Board Audit Committee comprises Messrs Harry Richard Wilkinson (Chairman), Sat Pal Khattar and Kwek Leng Hai. Messrs Harry Richard Wilkinson and Sat Pal Khattar are independent non-executive directors. The Board Audit Committee oversees the financial reporting process and the adequacy and effectiveness of the Company's system of internal controls.

The Board Audit Committee meets with the Company's external auditors and the internal auditor, and reviews the audit plans, the internal audit programme, the results of their examination and their evaluations of the system of internal controls. It also reviews interests in contracts and connected transactions. The Board Audit Committee reviews the financial statements of the Company and the consolidated financial statements of the Group and the auditors' report thereon and submits its views to the Board of Directors. Three Board Audit Committee meetings were held during the year.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All the financial and other related information of the Company required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited will be published on the Exchange's website.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 18 November 2002 to 22 November 2002, both days inclusive, during which period no transfer of shares can be effected.

In order to qualify for the above dividend, all share transfers accompanied by the requisite share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Central Registration Hong Kong Limited, at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 15 November, 2002.

By Order of the Board
Stella S.M. Lo
Company Secretary

Hong Kong, 17 October 2002