

Report of the Directors

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31st December, 2000.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries comprise the provision of banking, insurance and investment services which are set out in greater details in note 18 to the financial statements. The operating profit of the Group arises predominantly from insurance services rendered by the Asia Insurance Company, Limited ("AI") group, from the commercial and retail banking activities of the Asia Commercial Bank Limited ("ACB") group and from investment services rendered by the Asia Investment Services Limited ("AIS") group. There were no changes in the nature of the Group's principal activities during the year.

Segmented Information

An analysis of the Group's turnover and contribution to operating profit by principal activity and geographical area of operations for the year ended 31st December, 2000 is as follows:

	Turnover	Contribution to operating profit*
	HK\$'000	HK\$'000
By activity:		
Banking	365,475	74,110
Insurance	360,132	55,633
Investment services and others (including adjustments arising on consolidation)	127,752	84,832
	<u>853,359</u>	<u>214,575</u>

* The amounts attributable to individual business divisions represented the gross amounts before eliminating any intercompany transactions on consolidation.

By geographical area:

Over 90% of the Group's turnover and operating profit for the year ended 31st December, 2000 was attributable to the Group's operations in Hong Kong.

Results and Dividends

The Group's profit for the year ended 31st December, 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 28 to 82.

An interim dividend of HK2.5 cents per share, totalling HK\$25,649,000, was paid on 16th November, 2000.

The directors recommend the payment of a final dividend of HK5.5 cents per ordinary share in respect of the year ended 31st December, 2000 payable on 22nd June, 2001 to shareholders whose names appear on the register of members of the Company on 18th May, 2001. This recommendation has been incorporated in the financial statements.

The final dividend will be paid in cash, subject to an option for the shareholders to elect to receive new scrip shares of the Company credited as fully paid in lieu of cash. The number of new shares to be allotted to a shareholder who elects to receive a scrip dividend will be calculated by dividing the total amount of the final dividend on the whole or the appropriate part of his registered holding of shares, by the market value of the shares. For the purpose of calculating the number of new shares to be allotted, the board of directors proposes to value the shares at an amount which represents an approximate 3% discount to the closing market prices of the shares listed on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding and including 18th May, 2001. Fractional entitlements to new shares will be disregarded and the benefit thereof will accrue to the Company.

Subsidiaries

Particulars of the Company's subsidiaries are set out in note 18 to the financial statements.

Fixed Assets

Details of movements in the fixed assets of the Company and the Group are set out in note 22 to the financial statements.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 23 to the financial statements.

Reserves

Details of movements in the reserves of the Company and the Group are set out in note 24 to the financial statements.

Borrowings

Details of the Group's borrowings at the balance sheet date are set out in notes 25 and 26 to the financial statements.

Five Year Financial Summary

The results, assets and liabilities of the Group for the last five years, as extracted from the published audited financial statements and reclassified as appropriate, are summarised below:

Results

	Year ended 31st December,				
	2000	1999	1998	1997	1996
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	853,359	740,577	763,246	942,845	732,159
Net profit from ordinary activities attributable to shareholders	175,119	148,073	81,018	208,639	281,546

Turnover for 1996 has been restated to include net interest income, commissions, fees and other revenue earned from the banking business, and the net interest income earned from the provision of margin finance business.

Assets and liabilities

	31st December,				
	2000	1999	1998	1997	1996
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	15,777,039	14,922,212	12,582,295	13,645,598	12,870,009
Total liabilities	(12,697,009)	(11,983,230)	(9,747,985)	(10,855,171)	(10,764,762)
Minority interests	(10,861)	(3,839)	(2,169)	(6,187)	(12,787)
	3,069,169	2,935,143	2,832,141	2,784,240	2,092,460

Major Customers

During the year, the Group derived less than 30% of its total income from its five largest customers.

As far as the directors are aware, neither the directors, their associates, nor those shareholders which to the knowledge of the directors owned more than 5% of the Company's share capital had any beneficial interest in the Group's five largest customers.

Major Suppliers

The Group's major subsidiaries are banking and insurance companies, which are exempted from disclosing particulars of suppliers. Accordingly, no such information is disclosed.

Staff Retirement Scheme

	2000 HK\$'000	1999 HK\$'000
Provident fund contributions for the year	3,526	3,491

The Group's contributions for the year were reduced by HK\$2,284,000 (1999: HK\$3,190,000) by way of forfeited contributions in respect of employees who left the Group before their contributions became fully vested. As at 31st December, 2000 the forfeited employer contributions available to the Group to reduce its contributions to the staff retirement scheme in future years amounted to HK\$1,383,000 (1999: HK\$909,000).

Directors

The directors of the Company during the year were:

Robin Y.H. Chan, GBS, LL.D., J.P. *

Lau Ki-Chit *

The Hon. Bernard Charnwut Chan *

Tan Sri Lim Goh-Tong, P.S.M., S.P.M.P.,
S.I.M.P., D.K.M.P., D.J.M.K., D.P.M.S., J.P.

Chatri Sophonpanich

Tan Sri Frank W.K. Tsao

Dr. Leo Tung-Hai Lee, GBS, LL.D., J.P. **

Ng Song-Hin

Dr. The Hon. Philip Y.H. Wong **

Tan Eng-Heng, B.B.M.(L)

Takashi Toyabe

Choedchu Sophonpanich

Benedict Gim-Song Kwek

Kenneth Chi-Lam Siao **

Hikomichi Ishida

Finley Norman Middleton

Datuk Lim Chee-Wah

(alternate director to Tan Sri Lim Goh-Tong)

Ang Tang-Chor

(alternate director to Benedict Gim-Song Kwek)

* *Executive director*

** *Independent non-executive director*

In accordance with Bye-law 87(2), The Hon. Bernard Charnwut Chan, Chatri Sophonpanich, Tan Sri Frank W.K. Tsao, Dr. Leo Tung-Hai Lee and Choedchu Sophonpanich will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Directors' Service Contracts

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Directors' Interests in Shares

As at 31st December, 2000, the interests of the directors, chief executives and their associates in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

(a) Interests in the Company

Name of director	Number of shares held				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Robin Y.H. Chan	12,023,788	991,883	338,548,856 #	–	351,564,527
Lau Ki-Chit	20,720	–	–	–	20,720
The Hon. Bernard Charnwut Chan	2,206,843	981,400	–	–	3,188,243
Tan Sri Lim Goh-Tong	–	–	–	46,485,462 ##	46,485,462
Chatri Sophonpanich	3,381,215	–	–	–	3,381,215
Tan Sri Frank W.K. Tsao	–	–	23,912,002 #	–	23,912,002
Ng Song-Hin	–	–	29,734,855 #	–	29,734,855
Tan Eng-Heng	333,025	–	–	–	333,025
Choedchu Sophonpanich	791,496	–	–	–	791,496
Datuk Lim Chee-Wah	–	–	–	46,485,462 ###	46,485,462

The shareholdings classified as corporate interests in which the directors concerned were taken to be interested, as stated above, were the interests of corporations to which these directors were respectively either entitled to exercise (or taken under the SDI Ordinance to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.

This interest represented shares of the Company held ultimately by a trust established for the benefit of certain members of Tan Sri Lim Goh-Tong's family.

This interest was in respect of the same shares of the Company, held by the same trust, as those mentioned in ## above.

Directors' Interests in Shares (Cont'd)

(b) Interests in associated corporations

1. *Subsidiary company*

Mr. Robin Y.H. Chan held corporate interests in 50 shares, representing 25% of the issued shares of Mirador Services Limited, a 70%-owned subsidiary of the Group.

2. *Associated company*

Mr. Lau Ki-Chit beneficially owned 625 shares, representing 6.25% of the issued shares of Great Champion Holdings Limited, a 31%-owned associated company of the Group.

In addition to the above, Mr. Robin Y.H. Chan has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company, solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors, chief executives or their associates had any interests in the share capital of the Company or any of its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under Section 31 or Part I of the schedule to the SDI Ordinance) or which are required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

Directors' Rights to Acquire Shares

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders

As at 31st December, 2000, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance shows that the following shareholder of the Company was interested in 10% or more of the issued share capital of the Company.

Name	Number of shares held
Cosmos Investments Inc.	119,353,256*

* *These shares have been included in the corporate interests disclosure of Mr. Robin Y.H. Chan.*

Save as disclosed above and under "Directors' Interests in Shares", so far as the directors of the Company are aware, there were no other persons who were, directly or indirectly, beneficially interested in 10% or more of the issued share capital of the Company as at 31st December, 2000.

Directors' Interests in Contracts

No director had a beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company or its subsidiaries were entered into or existed during the year.

No right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any person during the year ended 31st December, 2000.

Director's Interests in Competing Business

During the year and up to the date of this report, the following directors are considered to have interests in the following businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the directors of the Company were appointed as directors to represent the interests of the Company and/or the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as set out below:

Name of director	Name of entity which businesses are considered to compete or likely to compete with the business of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the business of the Group	Nature of interest of the director in the entity
Mr. Robin Y.H. Chan	Liu Chong Hing Bank Ltd.	Banking	Non-executive Director
Mr. Lau Ki-Chit	Guangdong Asia Insurance Co. Ltd.	General Insurer	Non-executive Director
	Summit Insurance (Asia) Ltd.	General Insurer	Non-executive Director
	UOB Insurance (HK) Ltd.	General Insurer	Director
Mr. Benedict Gim-Song Kwek	Keppel Capital Holdings Ltd.	Investment Holding	Chief Executive Officer, Managing Director and shareholder
	Keppel TatLee Bank Limited	Commercial Bank	Chief Executive Officer and Managing Director

The involvement of Mr. Robin Y.H. Chan and Mr. Lau Ki-Chit in the management of the companies in which they are directors are not significant. Mr. Benedict Gim-Song Kwek is actively involved in the management of Keppel Capital Holdings Ltd. and Keppel TatLee Bank Limited, whose principal place of businesses are not in Hong Kong.

As the board of directors of the Company is independent of the board of these companies, the Group is therefore capable of carrying on such businesses independently of, and at an arm's lengths from, the businesses of these companies.

Brief Biographical Details in Respect of Directors and Senior Management Staff

Executive directors:

Robin Y.H. Chan, GBS, LL.D., J.P., aged 68, is the Chairman and Managing Director of the Company. He has been working for the Group for 45 years. He is the Chairman and Chief Executive Officer of ACB, the Chairman of AI, the Chairman of AIS and director of certain subsidiaries of the Group. Mr. Chan is also a director of Cosmos Investments Inc., a substantial shareholder of the Company. Mr. Chan was awarded the Order of Commander (Third Class) of the Most Exalted Order of the White Elephant by His Majesty, the King of Thailand. He is a Deputy to the Chinese National People's Congress and he is the Chairman of The Chinese General Chamber of Commerce, Hong Kong and Chairman of Bank Consortium Holding Limited. He is also a director of and an adviser to numerous other companies and has extensive experience in the banking industry. He is the brother of Mr. Chatri Sophonpanich and Mr. Choedchu Sophonpanich, who are also directors of the Company.

Lau Ki-Chit, aged 70, is an Executive Director of the Company. Mr. Lau has been working for the Group for 42 years and is the Chairman of the Board of Executive Directors of AI. He joined AI in 1959. With over 40 years' experience in the insurance industry, he is primarily responsible for the overall policy of the AI Group. Mr. Lau holds an engineering degree in aeronautics. He is also the director of ACB, AIS and several subsidiaries of the Group. In addition, Mr. Lau holds directorships in some external companies, including K. Wah International Holdings Ltd. and Univest Securities Ltd. In community services, Mr. Lau sits on the board of directors of the HK Tuberculosis, Chest & Heart Diseases Association, is a member of the Hospital Governing Committee of Ruttonjee Hospital & Tang Shiu Kin Hospital, and is the Vice Chairman of Chiu Chow Association Building (Property Holdings) Ltd. Mr. Lau is also the School Manager of Chiu Chow Association Secondary School and the Honourable Chairman of the Chiu Chow Chamber of Commerce. He has been a director of the Tung Wah Group of Hospitals, the President of the Rotary Club of HK Island West and has served as a member in a number of social service organisations.

Brief Biographical Details in Respect of Directors and Senior Management Staff (Cont'd)

Executive directors (Cont'd):

The Hon. Bernard Charnwut Chan, aged 36, is an Executive Director and Deputy Managing Director of the Company. Mr. Chan has been working for the Group for 11 years. He is the youngest son of Mr. Robin Y. H. Chan, the Chairman and Managing Director of the Company. Graduated from the Pomona College in California, U.S.A., he holds the positions of Executive Director of AI, ACB and AIS. In addition to the directorships in many other subsidiaries of the Group, he also sits on the boards of IMC Holdings Ltd., City e-Solutions Ltd., Peaktop International Holdings Ltd., Pioneer Global Group Ltd., Yau Lee Holdings Ltd. and Bank Consortium Trust Co. Ltd. He has been appointed as a Director of The Hong Kong Mortgage Corporation Ltd. and the Securities & Futures Commission; a Council Member of Lingnan University and the Vocational Training Council. He is also a member of the Mandatory Provident Fund Schemes Advisory Committee, the Securities & Futures Commission Process Review Panel, the Standing Committee on Language Education & Research, the Business Advisory Group, the Hong Kong Sports Development Board, the Estate Agents Authority and the Elderly Commission. In addition, he serves as the Chairperson of the Hong Kong Council of Social Service, the Chairman of the Standing Committee on Disciplined Services Salaries & Conditions of Service, a Councillor of the Legislative Council of the Hong Kong Special Administrative Region and a Committee Member of the Chinese People's Political Consultative Committee of Guangxi Zhuang Autonomous Region in China.

Non-executive directors:

Tan Sri Lim Goh-Tong, P.S.M., S.P.M.P., S.I.M.P., D.K.M.P., D.J.M.K., D.P.M.S., J.P., aged 83, is a director of the Company and ACB. He has been with the Group for 22 years. Tan Sri Lim is a prominent businessman in Malaysia. He is the co-founder, Chairman and Chief Executive of Genting Berhad, Chairman and Chief Executive of Resorts World Bhd., and Director of Asiatic Development Berhad. Resorts World Bhd. and Asiatic Development Berhad are subsidiaries of Genting Berhad, all of which are listed on the Kuala Lumpur Stock Exchange. In addition, he sits on the boards of a number of charitable and commercial organisations in Malaysia.

Brief Biographical Details in Respect of Directors and Senior Management Staff (Cont'd)

Non-executive directors (Cont'd):

Chatri Sophonpanich, aged 67, has been a director of the Company since 1997 and is currently the Chairman of Bangkok Bank Public Company Ltd. He received his Honorary Degree (Honoris Causa) of Doctor of Law from Pepperdine University, Malibu, California, U.S.A. in 1983 and a Honorary Degree (Honoris Causa) of Business Management from De La Salle University, Manila, Philippines in 1987. He has won several distinctions in the business area, including being appointed Chairman of the Asean Banking Council from 1987 to 1989, Chairman of the Thai Bankers Association from 1986 to 1988, Chairman of the Asian-Pacific Bankers Club in 1993, Director of the International Monetary Conference since 1994, a member of the Executive Management Committee of the Association of Development and Industrial Bank of Asia since 1995, a member of the International Business Leaders' Advisory Council for the Mayor of Shanghai since 1996 and Chairman of the Thailand-U.S. Business Council since 1997. He has been awarded many royal decorations and medals, such as Commander (Third Class) of the Most Exalted Order of the White Elephant in 1978, Knight Grand Cross (First Class) of the Most Exalted Order of the White Elephant in 1983, The King's Mahidol Memorial Award in 1992, and Knight Commander (Second Class) of the Most Illustrious Order of Chula Chom Klao in 1996.

Tan Sri Frank W.K. Tsao, aged 75, is a director of the Company and AI. Tan Sri Tsao has been with the Group for 34 years. He is the founder of IMC Holdings Ltd. ("IMC") and has over 47 years' experience in the shipping industry. He has been Executive Chairman of IMC since its formation in 1966 under the name of International Maritime Carriers (Holdings) Limited. From 1st January, 1995 until 5th May, 1997, Tan Sri Tsao assumed the position of Honorary Chairman of IMC. Currently, he serves as Chairman of the Maritime Committee of the Hong Kong Port & Maritime Board, as an Executive Member of the Hong Kong Shipowners Association, as Chairman of Suntec City Development Pte Ltd., Singapore and as Chairman of Great Asia Industrial Development Co. Ltd. He is also a director of numerous other companies in Hong Kong and overseas.

Brief Biographical Details in Respect of Directors and Senior Management Staff (Cont'd)

Non-executive directors (Cont'd):

Dr. Leo Tung-Hai Lee, GBS, LL.D., J.P., aged 79, has been a director of the Company since 1994. Dr. Lee is the Chairman of Tung Tai Group of Companies and a non-executive director of several other publicly listed companies in Hong Kong, including Beijing Enterprises Holdings Limited. He is a member of a number of public services committees and heads many social service organisations, including serving as an Adviser of the Advisory Board of the Tung Wah Group of Hospitals, as Chairman of the Association of Chairmen of the Tung Wah Group of Hospitals, as Chairman of Friends of the Hong Kong Association and as Vice President of the China Overseas Friendship Association. Dr. Lee is a member of the Standing Committee of the National Committee of the Chinese People's Political Consultative Conference. He served as an Adviser on Hong Kong Affairs to the Hong Kong & Macau Affairs Office of the State Council and the Xinhua News Agency, the Hong Kong Branch, a member of the Preparatory Committee for the Hong Kong Special Administrative Region, and a member of the Hong Kong Special Administrative Region Selection Committee. He has been honoured with awards by different governments, which include the Cavaliere di Gran Croce of Italy, the O.B.E. of Great Britain, the Chevalier Legion d'Honneur of France, the Commandeur de l'Ordre de Leopold II of Belgium and, in 1999, the Gold Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China. Dr. Lee has over 40 years of experience in business management.

Ng Song-Hin, aged 67, is a non-executive director of the Company and ACB. He has been with the Group for 20 years. Mr. Ng was educated in Australia. He is also the Chairman of Ng Song Choon & Brothers Sdn. Bhd., Kinta Realty Sdn. Bhd., KIB Development Sdn. Bhd. and Ikatan Bina Sdn. Bhd. in Malaysia. He is also the Deputy Chairman of Shenzhen Xengzhong Building Material Co., Ltd., Director of Sagami Industries (M) Sdn. Bhd., Pen Apparel Sdn. Bhd. and Imperial Garments Sdn. Bhd. in Malaysia. He was the President of the Malaysian Textiles Manufacturers Association from 1979 to 1981.

Dr. The Hon. Philip Y.H. Wong, aged 62, is a director of the Company and AI. He has been with the Group for 10 years. Dr. Wong attained his BSc., MSc., JD and PhD degrees in 1963, 1967, 1982 and 1987 respectively. He is the Chairman and Chief Executive of Winco Paper Products Co. Ltd. and Vice Chairman of Tai Cheng International (Holdings) Ltd. He is also a member of the Legislative Council of Hong Kong Special Administrative Region, a Deputy to the Chinese National People's Congress, Vice-Chairman of the Chinese General Chamber of Commerce and a member of the Hong Kong Trade Development Council.

Brief Biographical Details in Respect of Directors and Senior Management Staff
(Cont'd)

Non-executive directors (Cont'd):

Tan Eng-Heng, B.B.M. (L), aged 70, is a director of the Company and AI. Mr. Tan has been with the Group for 14 years. He is the Chairman of The Asia Insurance Company Limited, Singapore and The Asia Life Assurance Society Limited ("Asia Life"), Singapore. He has been with Asia Life for 42 years and has extensive experience in insurance and related businesses. He is also a director of Keppel TatLee Bank Limited ("KTLBL"), Keppel TatLee Finance Limited, Ayala International Holdings Ltd, Bukit Sembawang Estates Limited, Jurong Cement Limited, Singapore Reinsurance Corporation Limited, and Tasek Corporation Berhad. Mr. Tan was the Deputy Chairman of the Police and Civil Defence Services Commission and a member of the Public Service Commission and Legal Service Commission until January 1998. He was awarded The Public Service Star and The Public Service Star (Bar) in 1984 and 1994, respectively, for his contribution to the Public Service Commission. Mr. Tan has a Bachelor of Civil Engineering degree from Union College and a Master of Science (Engineering) degree from the University of Michigan, U.S.A.

Takashi Toyabe, aged 70, has been a director of the Company since 1990. He joined The Chiyoda Fire and Marine Insurance Co., Ltd. ("Chiyoda") in 1954. He was appointed as President and executive director of Chiyoda in 1988 and was promoted to Deputy Chairman of the board of directors in 1997. He graduated from the Faculty of Economics, Keio University. He has extensive experience in the insurance field.

Choedchu Sophonpanich, aged 54, is a director of the Company, AI and ACB. He has been with the Group for 15 years. He is also a director of Cosmos Investments Inc., a substantial shareholder of the Company and the Deputy Chairman of Bangkok Life Assurance Company Limited. He graduated with a BSc (Econ) degree from the London School of Economics.

Benedict Gim-Song Kwek, aged 54, has been a director of the Company since March 1999. He joined KTLBL in 1991 and he is now its Managing Director and Chief Executive Officer. He graduated from the University of Singapore with a Bachelor (Hons) Degree of Social Science majoring in Economics, and has extensive experience in the banking industry. He is also a director of ACB.

Kenneth Chi-Lam Siao, aged 52, has been a director of the Company since 1999. He is the founder and senior partner of Messrs. Siao, Wen and Leung, Solicitors and Notaries. He obtained his Bachelor of Commerce degree (B.Com) from McGill University, Canada and his Bachelor of Laws degree (LL.B) from King's College, University of London. Mr. Siao has extensive experience in property, banking, commercial and corporate matters. He currently acts as legal adviser to a number of banking and financial institutions.

Brief Biographical Details in Respect of Directors and Senior Management Staff
(Cont'd)

Non-executive directors (Cont'd):

Hikomichi Ishida, aged 49, has been a director of the Company since 1999. He joined The Tokai Bank, Limited in 1974. He is now General Manager of Hong Kong Branch and Head of East Asia of The Tokai Bank, Limited. He graduated from the Faculty of Law of Kyoto University. He is also a director of ACB.

Finley Norman Middleton, aged 55, has been a director of the Company since October 1999. Currently, he is the Executive Vice-President of Asia/Pacific of CNA International, based in Singapore, and a director of MUI Continental of Malaysia. Previously, he was the Sr. Vice-President of Chubb Insurance Co. of Europe and Country Manager, Italy, overseeing responsibilities for Central and Eastern Europe. He had prior assignments in Brazil, South Africa, Kenya, Italy, Denmark, The Netherlands, Austria and Singapore, in claims, general management, strategic planning and underwriting with CIGNA and AIG. He received his undergraduate and postgraduate degrees from Hobart College, The American Graduate School for International Management and The New School for Social Research. He is also a past member of the International Business Advisory Council and American Graduate School of International Management. He is also a director of AI.

Datuk Lim Chee-Wah, aged 46, has been an alternate director to Tan Sri Lim Goh-Tong since 1997. He is the youngest son of Tan Sri Lim Goh-Tong. He graduated from the London School of Economics with a degree in economics. Datuk Lim is also the founder of VXL Group which has built up core investments in the areas of property development and construction management, multimedia development and services. Datuk Lim was formerly the Deputy Managing Director of Genting Berhad, Joint Managing Director of Asiatic Development Berhad and a director of Genting International Limited. He is also an alternate director to Tan Sri Lim Goh-Tong, a director of ACB.

Ang Tang-Chor, aged 53, has been an alternate director to Benedict Gim-Song Kwek since March 1999. Currently, he is the General Manager and Head of International Division of KTLBL. He is also an alternate director to Benedict Gim-Song Kwek, a director of ACB.

Employees and Remuneration Policy

The total number of employees of the Group is approximately 620 (1999: 590). Annual remuneration increments and promotions are determined through a performance-oriented appraisal system, with the basic pay structure being reviewed from time to time to reflect market trends. In addition to the basic salary, employees also receive an annual bonus based on both the Group's and their individual performance. Housing loans, and also medical and retirement benefit schemes are made available to all levels of personnel. There was no share option scheme in operation during the year. The Group also offers various training and induction programmes to its employees.

Arrangements to Purchase Listed Securities

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

Donations

During the year, the Group made charitable donations totalling HK\$387,000 (1999: HK\$606,000).

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.

Compliance with the Code of Best Practice

The Group has complied fully with the Code of Best Practice as set out in Appendix 14 of the Listing Rules as recommended by The Stock Exchange of Hong Kong Limited during the year, except that the non-executive directors of the Company are not appointed for any specific terms of office but are subject to retirement by rotation in accordance with the Company's Bye-laws.

Audit Committee

The Company has established an audit committee in accordance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The present members of the Audit Committee are Dr. The Hon. Philip Y.H. Wong, Kenneth Chi-Lam Siao and Ng Song-Hin.

Post Balance Sheet Events

Details of the significant post balance sheet events of the Group are set out in note 41 to the financial statements.

Auditors

Ernst & Young retire and a resolution of their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Robin Y. H. Chan

Chairman

Hong Kong

22nd March, 2001