

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, 2001.

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 detail in note 20 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.

Segment information

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31st December, 2001 is set out in note 4 to the financial statements.

Results and dividends

The Group's profit for the year ended 31st December, 2001 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 95.

An interim dividend of HK1.8 cents per share, totalling HK\$19,027,000, was paid during the year.

The directors recommend the payment of a final dividend of HK1.0 cent per ordinary share, which will be paid in cash, in respect of the year ended 31st December, 2001 payable on 7th June, 2002 to shareholders whose names appear on the register of members of the Company on 28th May, 2002. This recommendation has been incorporated in the financial statements as an allocation of retained profits within shareholders' equity in the balance sheet. Further details of this accounting treatment are set out in note 10 to the financial statements.

Fixed assets and investment properties

Details of movements in the fixed assets and investment properties of the Company and the Group during the year are set out in note 24 to the financial statements.

Share capital

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 25 to the financial statements.

Report of the Directors (cont'd)

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 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, are summarised below:

Results

	2001 HK\$'000	Year ended 31st December,			
		2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Turnover	853,517	853,359	740,577	763,246	942,845
Net profit from ordinary activities attributable to shareholders	30,108	175,119	148,073	81,018	208,639

Assets, liabilities and minority interests

	2001 HK\$'000	31st December,			
		2000 HK\$'000 (Restated)	1999 HK\$'000 (Restated)	1998 HK\$'000 (Restated)	1997 HK\$'000 (Restated)
Total assets	15,129,571	15,777,039	14,922,212	12,582,295	13,645,598
Total liabilities	(12,008,609)	(12,639,963)	(11,932,979)	(9,723,317)	(10,827,845)
Minority interests	(10,266)	(10,861)	(3,839)	(2,169)	(6,187)
	3,110,696	3,126,215	2,985,394	2,856,809	2,811,566

During the year, the Group adopted the revised Statement of Standard Accounting Practice 2.109 "Events after the balance sheet date", resulting in prior year adjustments to reclassify the proposed final dividends for each of the financial years presented above, which were recognised as liabilities at each respective year end, to the proposed final dividend reserve account within the shareholders' equity section of the balance sheet. Further details are set out in notes 2 and 10 to the financial statements.

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 issued 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.

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)

Choedchu Sophonpanich

Kenneth Chi-Lam Siao **

Finley Norman Middleton

Hikomichi Ishida

Datuk Lim Chee-Wah

(alternate director to Tan Sri Lim Goh-Tong)

Koji Fukuda

(appointed on 18th May, 2001)

Ang Tang-Chor

(resigned as alternate director to

Benedict Gim-Song Kwek on 2nd April, 2001

and appointed as a director on 10th August, 2001)

Takashi Toyabe

(resigned on 1st April, 2001)

Benedict Gim-Song Kwek

(resigned on 2nd April, 2001)

* *Executive director*

** *Independent non-executive director*

Report of the Directors (cont'd)

Directors (cont'd)

Subsequent to the balance sheet date, on 25th March, 2002, Hiromichi Ishida resigned as director and Gen Tomii was appointed as a non-executive director of the Company.

In accordance with bye-law 87(2), Lau Ki-Chit, Tan Sri Lim Goh-Tong, Dr. The Hon. Philip Y. H. Wong and Tan Eng-Heng will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

In accordance with bye-law 86(2), Ang Tang-Chor and Gen Tomii will retire at the same 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, 2001, 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	12,505,264	991,883	321,738,413 #	–	335,235,560
Lau Ki-Chit	21,080	–	–	–	21,080
The Hon. Bernard Charnwut Chan	2,335,089	1,038,432	–	–	3,373,521
Tan Sri Lim Goh-Tong	–	–	–	46,485,462 ##	46,485,462
Chatri Sophonpanich	6,464,775	–	–	–	6,464,775
Tan Sri Frank W.K. Tsao	–	–	25,301,619 #	–	25,301,619
Ng Song-Hin	–	–	29,734,855 #	–	29,734,855
Tan Eng-Heng	346,360	–	–	–	346,360
Choedchu Sophonpanich	791,496	–	–	–	791,496
Datuk Lim Chee-Wah	–	–	–	46,485,462 ###	46,485,462

The shareholdings classified as corporate interests above in which the directors concerned were taken to be interested, were interests in corporations in respect of 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 Company.

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 were 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, 2001, 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.	124,132,600*

* *These shares have been included in the corporate interests disclosure of Mr. Robin Y.H. Chan in the section headed "Directors' interests in shares" above.*

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, 2001.

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, 2001.



Report of the Directors (cont'd)

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 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 whose 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

The involvements of Mr. Robin Y.H. Chan and Mr. Lau Ki-Chit in the management of the above companies of which they are directors are not significant.

As the board of directors of the Company is independent from the board of directors of these companies, the Group is therefore capable of carrying on its businesses independently of, and at an arm's length 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 69, is the chairman and managing director of the Company. He has been working for the Group for 46 years. He is the chairman and chief executive officer of Asia Commercial Bank, the chairman of Asia Insurance, the chairman of Asia Investment Services 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 and the Gold Bauhinia Star of the Hong Kong Special Administrative Region Government of the People's Republic of China. He is a deputy to the Chinese National People's Congress and the chairman of The Chinese General Chamber of Commerce, Hong Kong. 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 71, is an executive director of the Company. Mr. Lau has been working for the Group for 43 years and is the chairman of the Board of Executive Directors of Asia Insurance. He joined Asia Insurance in 1959. With over 40 years' experience in the insurance industry, he is primarily responsible for the overall policy of the Asia Insurance Group. Mr. Lau holds an engineering degree in aeronautics. He is also the director of Asia Commercial Bank, Asia Investment Services and several subsidiaries of the Group. In addition, Mr. Lau holds directorships in various external companies, including Univest Securities Ltd. In community services, Mr. Lau sits on the board of directors of the HK Tuberculosis, Chest and Heart Diseases Association, is a member of the Hospital Governing Committee of Ruttonjee Hospital and 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 the 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 Hong Kong 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 37, is an executive director and deputy managing director of the Company. Mr. Chan has been working for the Group for 12 years. He is the youngest son of Mr. Robin Y. H. Chan, the chairman and managing director of the Company. He graduated from Pomona College in California, U.S.A., and holds the positions of executive director of Asia Insurance, Asia Commercial Bank and Asia Investment Services. In addition to 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 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 and Research, the Business Advisory Group, the Hong Kong Sports Development Board, the Estate Agents Authority, the Elderly Commission and the Fight Crime Committee. 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 and 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 84, is a director of the Company and Asia Commercial Bank. He has been with the Group for 23 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, and are all listed on the Kuala Lumpur Stock Exchange.



Brief biographical details in respect of directors and senior management staff (cont'd)

Non-executive directors (cont'd):

Chatri Sophonpanich, aged 68, 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 an 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 from 1990 to 1993, a director of the International Monetary Conference in 1994, a member of the Executive Management Committee of the Association of Development and Industrial Bank of Asia in 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 76, is a director of the Company and Asia Insurance. Tan Sri Tsao has been with the Group for 35 years. He is the founder of IMC Holdings Ltd. ("IMC") and has over 48 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 and Maritime Board, 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, LLD, J.P., aged 80, has been a director of the Company since 1994. Dr. Lee is the chairman of the 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 the Friends of 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, Hong Kong Branch, was 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 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 68, is a non-executive director of the Company and Asia Commercial Bank. He has been with the Group for 21 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., and a 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.



Brief biographical details in respect of directors and senior management staff (cont'd)

Non-executive directors (cont'd):

Dr. The Hon. Philip Y.H. Wong, aged 63, is a director of the Company and Asia Insurance. He has been with the Group for 11 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. He is also a member of the Legislative Council of the Hong Kong Special Administrative Region, a deputy to the Chinese National People's Congress, the treasurer of the Chinese General Chamber of Commerce and a member of the Hong Kong Trade Development Council.

Tan Eng-Heng, B.B.M. (L), aged 71, is a director of the Company and Asia Insurance. Mr. Tan has been with the Group for 15 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 43 years and has extensive experience in insurance and related businesses. He is also a director of Ayala International Holdings Ltd, Bukit Sembawang Estates Limited and Singapore Reinsurance Corporation Limited. 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.

Choedchu Sophonpanich, aged 55, is a director of the Company, Asia Insurance and Asia Commercial Bank. He has been with the Group for 16 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.

Kenneth Chi-Lam Siao, aged 54, 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. He is a Notary Public, Hong Kong and a China-Appointed Attesting Officer. 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):

Finley Norman Middleton, aged 56, 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 senior vice-president for Europe of Chubb Insurance Co. 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 insurance 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 the American Graduate School of International Management. He is also a director of Asia Insurance.

Ang Tang-Chor, aged 54, has been appointed as director since August 2001. Currently, he is the general manager of the International Division of Oversea-Chinese Banking Corporation Limited. He is also a director of Asia Commercial Bank.

Gen Tomii, aged 55, has been appointed as non-executive director of the Company since 25th March, 2002. Mr. Tomii is currently the senior executive officer and general manager of UFJ Bank Limited, Singapore branch and has extensive experience in the banking business. He graduated from Hitotsubashi University with a degree in sociology.

Koji Fukuda, aged 65, has been appointed as director since May 2001. He is the chairman of Aioi Insurance Company, Limited and has extensive experience in the insurance field.

Datuk Lim Chee-Wah, aged 47, 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 Asia Commercial Bank.



Brief biographical details in respect of directors and senior management staff (cont'd)

Non-executive directors (cont'd):

Hikomichi Ishida, aged 50, has been a director of the Company since 1999. He joined The Tokai Bank, Limited in 1974 and has been the general manager of the Hong Kong Branch and Head of East Asia of The Tokai Bank, Limited. He graduated from the Faculty of Law of the Kyoto University. He is also a director of Asia Commercial Bank. He resigned as a director of the Company in March 2002.

Takashi Toyabe, aged 71, has been a director of the Company since 1990. He joined Aioi Insurance Co. Ltd. ("Aioi") (formerly known as The Chiyoda Fire and Marine Insurance Co., Ltd.) in 1954. He was appointed as President and executive director of Aioi 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. He resigned as a director of the Company in April 2001.

Benedict Gim-Song Kwek, aged 55, has been a director of the Company since March 1999. He graduated from the University of Singapore with a Bachelor (Hons) Degree in Social Science majoring in economics, and has extensive experience in the banking industry. He resigned as a director of the Company in April 2001.

Employees and remuneration policy

The total number of employees of the Group is approximately 650 (2000: 620). 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.



Report of the Directors (cont'd)

Donations

During the year, the Group made charitable donations totalling HK\$486,000 (2000: HK\$387,000).

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 (the "Code") 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 as required by paragraph 7 of the Code, 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, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The present members of the Audit Committee are Dr. The Hon. Philip Y.H. Wong, Kenneth Chi-Lam Siao and Ng Song-Hin.

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
25th March, 2002

