



Guoco Group Limited

國浩集團有限公司

(a company incorporated in Bermuda with limited liability)

CONNECTED TRANSACTION

Guoco has entered into a services agreement, or the Services Agreement, with an indirect wholly-owned subsidiary of Hong Leong Company (Malaysia) Berhad, a substantial shareholder of Guoco.

The Services Agreement constitutes a connected transaction for Guoco under the Listing Rules. As the consideration payable under the Services Agreement falls within the de minimis threshold of the Listing Rules, no shareholders' approval is required. Any renewal of the Services Agreement will be disclosed in the annual report of Guoco next published following such renewal.

SERVICES AGREEMENT

On 21st August, 2001, Guoco entered into the Services Agreement with Hong Leong for the provision of certain services by Hong Leong to Guoco Group. The services to be provided under the agreement include formulation of strategy and planning, overview of investment and financial management, treasury and risk management services and technical assistance with respect to operating practices and procedures, accounting and other services. The consideration to be paid by Guoco under the Services Agreement shall be a monthly charge of HK\$100,000 (or such other amount as may be agreed from time to time between Hong Leong and Guoco) and an annual fee equal to three per cent. of the annual consolidated profits before tax of Guoco for each financial year. The agreement is for a term of one year and shall be automatically renewable, on the same terms, for additional, consecutive terms of one year each unless either party provides written notice of at least six months.

The Services Agreement is intended to replace the previous services agreements between Hong Leong and certain operating subsidiaries of the Guoco Group (including Dao Heng Bank Limited, a former subsidiary company). The consideration to be paid by Guoco under the Services Agreement was determined having regard to the terms of these services agreements. For the period 1st July, 1997 to 30th June, 2000, the consideration paid by the operating subsidiaries of the Guoco Group under the previous services agreements for each financial year of Guoco constituted less than 3 per cent. of the consolidated net tangible asset of Guoco as at the beginning of that financial year. The Services Agreement was entered into in the ordinary course of business of Guoco and the terms of the agreement were determined on an arms-length basis and which the directors of Guoco (including the independent non-executive directors) consider to be fair and reasonable so far as Guoco's shareholders' interests are concerned.

CONNECTED PERSON

Hong Leong is a connected person (as defined in the Listing Rules) of Guoco by virtue of the fact that it is an indirect wholly-owned subsidiary of Hong Leong Company (Malaysia) Berhad, a substantial shareholder of Guoco. The Services Agreement therefore constitutes a connected transaction under the Listing Rules.

LISTING RULES

As the consideration payable under the Services Agreement is expected to be less than three per cent. of the book value of the net tangible assets of Guoco (as disclosed in its consolidated accounts for the year ended 30th June, 2000) adjusted to take account of Guoco's disposal of its interests in Dao Heng Bank Group Limited to DBS Diamond Holdings Ltd., no shareholders' approval is required under Listing Rule 14.25(1). Guoco will include details of the Services Agreement in its next published report and accounts.

APPLICATION FOR ONGOING CONNECTED TRANSACTION WAIVER

As mentioned above, the Services Agreement is for a term of one year and shall be automatically renewable for additional, consecutive terms of one year each unless either party provides written notice of at least six months. In such circumstances, Guoco would normally need to disclose the renewal by way of a press notice followed by disclosure in the next published annual report and accounts each time the Services Agreement is renewed. It is considered that such disclosure would be impracticable and burdensome. In view of this, the Company has applied for a waiver from the Stock Exchange that future connected transactions (the "Transactions") arising from renewal of the Services Agreement need only be disclosed in the next published annual report and no press notice will be required on the following conditions:

- the Transactions shall be:
 - entered into by Guoco in the ordinary and usual course of its business;
 - conducted either (A) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities) or (B) (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of Guoco are concerned; and
 - entered into either (A) in accordance with the terms of the agreements governing such Transactions or (B) (where there are no such agreements) on terms no less favourable than those available to or from independent third parties;
- the aggregate amount of the fees payable under the Services Agreement for each financial year of Guoco shall not exceed the cap amount of 3 per cent. (the "Cap Amount") of the audited consolidated net tangible assets of the Group in that financial year;
- the independent non-executive directors of Guoco shall review the Transactions annually and confirm in Guoco's next annual report that these were conducted in the manner as stated in paragraphs 1 and 2 above;
- Guoco's auditors shall review the Transactions annually and confirm in a letter (the "Letter") to the directors of Guoco (a copy of which will be provided to the Listing Division of the Stock Exchange) stating whether:
 - the Transactions have received the approval of Guoco's board of directors;
 - the Transactions have been entered into in accordance with the terms of the agreements governing the Transactions or, if there are no such agreements, on terms no less favourable than those available to or from independent third parties; and
 - the Cap Amount has been exceeded.
- where, for whatever reason, the auditors decline to accept the engagement or are unable to provide the Letter, the directors of Guoco shall contact the Listing Division of the Stock Exchange immediately;
- details of the Transactions in each financial year shall be disclosed as required under Rule 14.25(1) (A) to (D) of the Listing Rules in the annual report of Guoco for that financial year together with a statement of the opinion of the independent non-executive directors and the auditors of the Company referred to in paragraphs 3 and 4 above; and
- Guoco and Hong Leong shall provide to the Stock Exchange an undertaking that, for so long as Guoco's shares are listed on the Stock Exchange, they will provide Guoco's auditors with full access to their relevant records for the purpose of the auditors' review of the Transactions referred to in paragraph 4 above.

If any terms of the Transactions as mentioned above are altered or if Guoco enters into any new agreements with any connected persons (within the meaning of the Listing Rules) and subject to the requirements set out in the Listing Rules in the future, Guoco must comply with the provisions of Chapter 14 of the Listing Rules governing connected transactions unless it applies for and obtains a separate waiver from the Stock Exchange.

Guoco's principal activities are finance, stockbroking, insurance, fund management and property development and investment.

DEFINITIONS

"Guoco"	Guoco Group Limited
"Guoco Group"	Guoco, its subsidiaries and associated companies from time to time but excluding DBS Diamond Holdings Ltd. and its subsidiaries
"Hong Leong"	Hong Leong Overseas (H.K.) Limited
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Services Agreement"	the services agreement between Guoco and Hong Leong dated 21st August, 2001, details of which are set out in this announcement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

By order of the board of
Guoco Group Limited
Doris W. N. Wong
Company Secretary

Please also refer to the published version of this announcement in South China Morning Post and Hong Kong Economic Journal.