



Guoco Group Limited

國浩集團有限公司

(Incorporated in Bermuda with limited liability)

Announcement

FCC, a 54.69% owned subsidiary of Guoco listed on the Singapore Exchange Securities Trading Limited, issued a performance guidance statement after the close of trading on 25th January, 2002 to disclose certain provisions that FCC is likely to make in its interim results for the six months ended 31st December, 2001. The provisions are likely to result in the FCC Group reporting a loss for the period.

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Performance Guidance Statement (the "Statement")

FCC had stated in its full year financial statement dated 14th September, 2001 that the profitability of the FCC Group for the current financial year ending 30th June, 2002 will depend on, inter alia, the following factors:

- sales of the FCC Group's residential development units
- disposal of its non-core property assets
- fair value accounting of the FCC Group's financial assets pursuant to the Singapore Accounting Standard 33 ("SAS 33").

In the Statement, FCC provided the following information and comment on the impact of developments relating to the above:

Sales of residential development units

In December last year, there was a surge in demand for leasehold residential properties. The FCC Group had three launched developments in this sector: Aquarius by the Park ("Aquarius"), The Gardens at Bishan ("Gardens") and Sanctuary Green ("Sanctuary"). Aquarius, which had obtained its Temporary Occupation Permit, is already almost fully sold. 263 units in Gardens and 352 units in Sanctuary were initially re-launched in December. Sales were encouraging and a total of 356 units were sold in about a month, at average prices of S\$484 (approximately HK\$2,052) per square foot for Gardens and S\$581 (approximately HK\$2,463) per square foot for Sanctuary respectively. Sales turnover was about S\$198 million (approximately HK\$840 million). Aggregated with previous sales, Gardens is now 56% sold, while Sanctuary is now 41% sold. Construction costs for the two developments are now substantially covered.

While these are positive developments, the re-launch was at prevailing market prices which were lower than anticipated and hence resulted in losses for the FCC Group. Although FCC had made provisions for foreseeable losses on its residential development projects in the last financial year, additional provisions are required for certain developments to reflect current values. At this point in time, these provisions are estimated at about S\$108 million (approximately HK\$458 million) and will be reflected in FCC's interim results targeted for release around mid March.

Disposal of non-core property assets

As part of its investment programme, the FCC Group sold A-Z Building and its remaining 5 office units in Parkway Parade in the first half of this financial year. A loss of approximately S\$22 million (approximately HK\$93 million) on the sale of A-Z Building (which the FCC Group had previously referred to in an earlier announcement) would be recognized in the first half of this financial year and in the second half, a loss of about S\$1 million (approximately HK\$4.24 million) on the sale of the Parkway Parade office units would be recognized.

Fair value accounting of financial assets

Under SAS 33, which was adopted by the FCC Group on 1st July, 2001, all financial assets (such as equities, bonds, derivatives) will have to be marked to market. Consequential market price movements in these financial assets are likely to impact the FCC Group's reserves and/or profitability. The FCC Group's financial assets were marked to prices prevailing on 1st July, 2001 ("benchmark market prices"). As the market prices of many of the FCC Group's financial assets as at 31st December, 2001 were below the benchmark market prices, the FCC Group will incur unrealized mark-to-market losses on these financial assets amounting to about S\$57 million (approximately HK\$242 million) for the first half of this financial year. However, as the FCC Group continues to divest the securities in its short-term trading portfolio, the impact of fair value accounting on the FCC Group's performance would be reduced gradually.

The estimated provisions of S\$108 million (approximately HK\$458 million), aggregated with unrealized mark-to-market losses of approximately S\$57 million (approximately HK\$242 million) and realized losses of S\$22 million (approximately HK\$93 million) (which are subject to year-end financial audit), are likely to result in the FCC Group reporting a loss for its half-year ended 31st December, 2001.

By writing down the values of certain property assets to reflect present market values at levels which the FCC Group believes to be at the bottom of the property cycle, FCC will be able to move ahead with its property sales more competitively. In the event the property and equity markets improve, the provisions made may be written back. The guidance herein does not cover the FCC Group's performance for the second half of its financial year, which FCC will comment on when it releases its interim results in March.

The interim results of FCC for its half-year ended 31st December, 2001 will be consolidated in the interim results for the same period of Guoco Group which are to be announced pursuant to the Listing Rules by Guoco in due course. Consequently, the operating results of Guoco Group for the period ended 31st December, 2001 will reflect the aforesaid provisions to be made by FCC. However, the overall impact on the financial position of Guoco Group will not be significant.

This announcement is issued pursuant to Paragraph 2 of the Listing Agreement. The translation between Singapore dollars and Hong Kong dollars at S\$1 = HK\$4.24 stated in this announcement is for reference purpose only.

DEFINITIONS

"FCC"	First Capital Corporation Ltd
"FCC Group"	FCC, its subsidiaries and associated companies from time to time
"Guoco"	Guoco Group Limited
"Guoco Group"	Guoco, its subsidiaries and associated companies from time to time
"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

By order of the Board
Guoco Group Limited
Stella Lo Sze Man
Company Secretary

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