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Guoco Group Limited

國浩集團有限公司

(a company incorporated in Bermuda with limited liability)

**POSSIBLE VOLUNTARY CONDITIONAL OFFER BY
GOLDMAN SACHS (ASIA) L.L.C.
ON BEHALF OF
DBS DIAMOND HOLDINGS LTD.
A WHOLLY-OWNED SUBSIDIARY OF
THE DEVELOPMENT BANK OF SINGAPORE LTD.
TO ACQUIRE THE WHOLE OF THE ISSUED SHARE CAPITAL OF
DAO HENG BANK GROUP LIMITED**

**IRREVOCABLE UNDERTAKING TO ACCEPT THE OFFER
IN RESPECT OF
71.3 PER CENT. OF THE ISSUED SHARE CAPITAL OF
DAO HENG BANK GROUP LIMITED**

MAJOR TRANSACTION

DBS Diamond Holdings Ltd. (the *Offeror*) has announced that (subject to the satisfaction or waiver of certain pre-conditions) the Offeror intends to make a voluntary conditional offer (the *Offer*) to acquire the entire issued ordinary share capital of Dao Heng Bank Group Limited (*Dao Heng Group*) and all options over such ordinary share capital.

The Offer will consist of the following forms of consideration (which will be subject to a downward adjustment under certain circumstances - see *Confirmatory Due Diligence Adjustment*) to be chosen by the shareholders of Dao Heng Group who accept the Offer:

- (a) for every ordinary share of US\$0.50 in Dao Heng Group (*Dao Heng Group Share*), HK\$60.14 in cash; or
- (b) for every Dao Heng Group Share, HK\$43.26 in cash and one new share in the capital of the Offeror (*New Share*); and

in respect of each option to subscribe for one Dao Heng Group Share, HK\$38.32 per option (being the amount of HK\$60.14 less the exercise price of HK\$21.82)

The making of the Offer and the Offer itself are conditional (see *Offer Condition* below). In particular, the making of the Offer in the first place is subject to certain conditions (see *Pre-Conditions to the Offer*) which include, among other things, the approval by the Hong Kong Monetary Authority, the Hong Kong Insurance Authority, the Monetary Authority of Singapore and the Bermuda Monetary Authority (the *BMA*) and the approval of shareholders of Guoco in relation to the proposed acquisition of Dao Heng Group Shares by the Offeror. Further, the Offer itself is subject to a minimum acceptance by shareholders of Dao Heng Group in respect of more than 50 per cent. of the Dao Heng Group Shares.

Guoco has given an irrevocable undertaking dated 11th April, 2001 (see *Undertaking to Accept* below) to accept the Offer in respect of 496,854,664 Dao Heng Group Shares (representing approximately 71.3 per cent. of the entire issued ordinary share capital of Dao Heng Group).

Acceptance of the Offer by Guoco constitutes a major transaction for Guoco. Guoco will issue a circular to its shareholders in due course containing further details of the Offer, together with a notice convening a special general meeting of Guoco to approve the irrevocable undertaking to accept the Offer (see *Undertaking to Accept* below).

WARNING: As the making of Offer is subject to satisfaction or waiver of the Pre-Conditions, the Offer may or may not be made. Guoco Shareholders and investors generally should exercise caution when buying or selling Guoco Shares.

Trading in Guoco shares on the Stock Exchange was suspended at 10 am on 6th April, 2001 at the request of Guoco and an application will be made to the Stock Exchange for the resumption of trading in Guoco shares with effect from 10 am on 12th April, 2001.

INTRODUCTION

The Offeror, a wholly-owned subsidiary of The Development Bank of Singapore Ltd. (*DBS*), both independent third parties not connected with Guoco, its directors, chief executive or substantial shareholders, or any of its subsidiaries or an associate of any of them, has announced that (subject to the satisfaction or waiver of certain conditions) it intends to make a voluntary conditional offer to acquire the entire issued ordinary share capital of Dao Heng.

Guoco has given an irrevocable undertaking to the Offeror (see *Undertaking to Accept* below) to accept the Offer in respect of 496,854,664 Dao Heng Shares (representing approximately 71.3 per cent. of the issued share capital of Dao Heng Group) and to elect for the Cash and Share Option (as defined below).

As the making of the Offer is subject to satisfaction or waiver of certain pre-conditions (see *Pre-Conditions to the Offer* below), all references to the Offer in this Announcement refer to the possible Offer which will only be made if and when such pre-conditions are satisfied (or, if applicable, waived).

THE OFFER

A voluntary, conditional offer for all Dao Heng Group Shares with a Cash Option or a Cash and Share Option (subject to downward adjustment in certain circumstances - see *Confirmatory Due Diligence Adjustment*).

1. **Cash Option**

For each Dao Heng Group Share HK\$60.14(the **Cash Option**)

Comparisons of Value

The cash consideration of HK\$60.14 per Dao Heng Group Share under the Cash Option represents:

- (a) a premium of approximately 59.9 per cent. over the closing price of one Dao Heng Group Share of HK\$37.60, as quoted on The Stock Exchange of Hong Kong Limited (the **Stock Exchange**) on 4th April, 2001, being the last trading day for Dao Heng Group Shares prior to this Announcement; and
- (b) a premium of approximately 60.4 per cent., 55.3 per cent. and 49.1 per cent. over the average prices of HK\$37.50, HK\$38.73 and HK\$40.35 per Dao Heng Group Share, being the average closing prices of Dao Heng Group Shares as quoted on the Stock Exchange for the 20, 40 and 60 trading days respectively immediately prior to and including the last trading day prior to this Announcement.

Highest and Lowest Prices

During the 6 month period preceding the date of this Announcement, the highest closing price of Dao Heng Group Shares as quoted on the Stock Exchange was HK\$46.70 each on 9th January, 2001, and the lowest closing price of Dao Heng Group Shares as quoted on the Stock Exchange was HK\$35.30 each on 2nd April, 2001.

Total Consideration

On the basis of the consideration of HK\$60.14 per Dao Heng Group Share under the Cash Option, the entire issued ordinary share capital of Dao Heng Group is valued at approximately HK\$41,918 million.

2. **Cash and Share Option**

For each Dao Heng Group Share one new share in the capital of the Offeror (**New Share**) and HK\$43.26 in cash (the **Cash and Share Option**)

Under the Cash and Share Option, in respect of each Dao Heng Group Share, a shareholder of Dao Heng Group (**Dao Heng Group Shareholder**) will be entitled to receive HK\$43.26 in cash and one New Share.

Nature of New Shares

For Dao Heng Group Shareholders who choose the Cash and Share Option, unlike the Dao Heng Group Shares, the New Shares which they receive will not be readily tradable and will be shares of an unlisted Bermuda incorporated company. The transfer of such New Shares will be strictly regulated pursuant to the Bye-Laws of the Offeror (the **Bye-Laws**) and the rights of shareholders in the Offeror will primarily be governed by the Companies Act 1981 of Bermuda (the **Companies Act**) and Bermuda law (see **The Offeror** below). The New Shares will be subject to put and call options (see **The Put and Call Options**).

Total Consideration

On the basis of the consideration of HK\$43.26 per Dao Heng Group Share and the purchase price of HK\$21.70 for each New Share under the Options (see *The Put and Call Options* below) and disregarding any dividends payable by the Offeror (see *The Put and Call Options* below), the entire issued share capital of Dao Heng Group is valued at approximate HK\$45,277 million. The consideration for Guoco's attributable 71.3 per cent. interest in Dao Heng Group will amount to approximately HK\$32,276 million.

If the cash consideration under the Cash Option or the Cash and Share Option is paid after 30 September, 2001, it will bear interest payable by the Offeror on a daily basis at the Hong Kong dollar prime rate charged by The Hongkong and Shanghai Banking Corporation Limited.

Confirmatory Due Diligence Adjustment

Following a confirmatory due diligence exercise to be conducted after the date of this Announcement, the consideration payable under the Offer shall be subject to a downward only adjustment (the *Confirmatory Due Diligence Adjustment*) as follows:

- (a) If the decrease (the *Decrease*) in the market value as of 31st December, 2000 of the 9th, 10th, 11th, 16th, 17th, 18th and 73rd floors of and the banking hall in The Center, 99 Queen's Road Central, Hong Kong, (the *Center Property*) compared with their book value as set out in the unaudited consolidated interim financials of Dao Heng Group for the six months ended 31st December, 2000 (the *Interim Financials*) exceeds HK\$633.7 million, any decrease in excess of HK\$633.7 million (the *Net Decrease*) shall be deducted from the consideration payable by the Offeror under the Offer. The Decrease shall be determined by negotiation between the Offeror and Guoco and failing an agreement between them on the amount of the Decrease, shall be determined by an independent professional valuer to be selected by agreement between the Offeror and Guoco or, if the Offeror and Guoco cannot agree on the selection, by the President for the time being of the Hong Kong Institute of Surveyors. The decision of such valuer shall be final and binding and the cost of such valuation shall be shared equally between the Offeror and Guoco.
- (b) If the net book value as at 31st December, 2000 of all the assets of Dao Heng Group (excluding the Center Property) shall be reduced by more than HK\$660.7 million (being 5 per cent. of the net book value of the assets as set out in the Interim Financials) (the *Deficiency*) (and the basis of valuing the properties referred to in (b)(i) below shall be the same as in (a) above), the amount of the Deficiency in excess of HK\$660.7 million (the *Net Deficiency*) shall be deducted from the consideration payable by the Offeror under the Offer. In assessing the amount of the Deficiency:
 - (i) in respect of any decrease in the net book value as set out in the Interim Financials of properties owned by Dao Heng Group and used by it as premises for banking business or operations (other than the Center Property) from the market value as at 31st December, 2000, only 50 per cent. of such decrease shall be counted towards the Deficiency;
 - (ii) if on the Offeror's assessment there is a Net Deficiency, Guoco shall be entitled to dispute that assessment and, if the Offeror and Guoco cannot resolve the dispute themselves (and for the purpose of such dispute resolution Guoco shall be entitled to identify assets the net book value of which may have increased from that set out in the Interim Financials and provisions which may have been excessive in the Interim Financials, in which event any such increase or overprovision shall be applied to reduce the Deficiency), the dispute shall

be referred to an independent firm of auditors to be selected by agreement between the Offeror and Guoco or, if the Offeror and Guoco cannot agree on the selection, by the President for the time being of the Hong Kong Society of Accountants. The decision of such auditors shall be binding and the costs of such auditors shall be shared equally between the Offeror and Guoco; and

- (iii) in assessing the Deficiency and any amounts under paragraph (b)(ii) above, the parties shall apply principles and practices as are in compliance with generally accepted accounting standards of Hong Kong as such have been consistently applied in the preparation of the audited financial statements of Dao Heng Group and applying normal audit standards.
- (c) The timing of the making of the Confirmatory Due Diligence Adjustment is as follows:
- (i) Guoco shall procure that all information reasonably requested by the Offeror for the purposes of the confirmatory due diligence exercise shall be made available and provided in a full and fair manner as soon as possible.
- (ii) The Offeror shall be entitled to a maximum of 14 days to conduct its confirmatory due diligence from the time all the information referred to in paragraph (c)(i) above is made available and shall use all reasonable endeavours to complete the process as soon as possible.
- (iii) If Guoco disagrees with the Offeror's assessments of the Net Deficiency or the Net Decrease, Guoco shall be entitled to discuss the assessment with the Offeror with a view to resolving the disagreement within 10 days of the Offeror communicating its assessment to Guoco.
- (iv) The independent valuer or auditors are to be appointed by the Offeror and Guoco within 2 days of an unresolved dispute and such valuer or auditors shall be requested to give their determination within 5 days of appointment.
- (v) Time shall be of the essence in the computation of the Confirmatory Due Diligence Adjustment. The Offeror and Guoco shall use their best endeavours to adhere to the timing provisions in this paragraph.

The following table illustrates the possible adjustment to the consideration payable under the Offer depending on the amount of adjustments arising from the confirmatory due diligence:

Decrease (HK\$ mm) (a)	633.7	700.0	800.0	900.0	1,000.0	1,100.0	1,200.0
Net Decrease (HK\$ mm) (a)	—	66.3	166.3	266.3	366.3	466.3	566.3
Deficiency (HK\$ mm) (b)	660.7	750	1,000	1,250	1,500	1,750	1,982
<u>Net Deficiency (HK\$ mm) (b)</u>	<u>—</u>	<u>89</u>	<u>339</u>	<u>589</u>	<u>839</u>	<u>1,089</u>	<u>1,321</u>
Cash Option (HK\$)	60.14	59.92	59.41	58.91	58.41	57.91	57.43
Cash and Share Option							
Cash Portion (HK\$)	43.26	43.04	42.53	42.03	41.53	41.03	40.55
Exercise Price of the Options	21.70	21.70	21.70	21.70	21.70	21.70	21.70

- (a) Adjustment due to the Center Property
- (b) Adjustment due to all other assets except the Center Property

The Confirmatory Due Diligence Adjustment (if any) will be determined and announced as soon as practicable and in any event before the Offer is made.

The Put and Call Options

DBS shall have the right to require each holder of a New Share to sell (the *Call Option*), and each holder of a New Share shall have the right to require DBS to purchase (the *Put Option*) all (but not some only) of the New Shares held by such holder on the terms set out below:

- (a) The Put Option and the Call Option (collectively, *the Options* and each an *Option*) may only be exercised by the giving of notice within a period of seven business days following 31st December, 2002;
- (b) The purchase price for each New Share under the Put Option and the Call Option shall be HK\$21.70.

The purchase price for the New Shares in respect of which the Options are exercised will be paid within five business days of the date of exercise of the relevant Option.

Prior to the exercise of the Options, the Offeror shall procure that, in respect of each period of six months ending on 30th June or 31st December, Dao Heng Group shall except to the extent that doing so would cause Dao Heng Bank Limited to breach the liquidity or capital adequacy requirements imposed on it under the Banking Ordinance pay to its shareholders a dividend of not less than 45 per cent. of the consolidated net profit of Dao Heng Group attributable to shareholders in respect of such period, and the Offeror shall then pay to its shareholders as dividends within three business days after receipt by it of the entire amount received by it. This percentage shall be increased or decreased if doing so would cause the absolute amount of the dividends to represent 45 per cent. of the consolidated net profits of Dao Heng Group attributable to its shareholders which would have been earned (applying the same accounting principles as those applied by Dao Heng Group before the date of this Announcement) from the carrying on by Dao Heng Group and its subsidiaries of their business in the ordinary course in accordance with practice applicable prior to the date of this Announcement and disregarding the effect of any changes attributable to restructuring adjustments or other exceptional matters, including goodwill and transfer pricing. DBS shall renounce (or procure that there is renounced) in favour of each person whose New Shares are acquired by DBS upon exercise of any Option the dividend payable by the Offeror in respect of the six months ended on the date on which the Option is exercised. The Offeror shall ensure that the dividend shall be payable in respect of such period in accordance with the foregoing provisions of this paragraph.

Following exercise of an Option, Guoco will make an appropriate announcement.

UNDERTAKING TO ACCEPT

Guoco has executed an irrevocable undertaking dated 11th April, 2001 to accept the Offer (the *Irrevocable Undertaking*) in favour of the Offeror in respect of 496,854,664 Dao Heng Group Shares which together represent 71.3 per cent. of the voting rights which may be cast at general meetings of Dao Heng Group and has elected for the Cash and Share Option. If, before the Offer becomes wholly unconditional, Guoco accepts another offer for its Dao Heng Group Shares or otherwise disposes of them, Guoco must pay DBS a sum of HK\$780 million and, on the making of the payment, the Irrevocable Undertaking will lapse.

The Irrevocable Undertaking will lapse if the Offer is not made substantially upon the terms and conditions set out in the joint announcement of DBS, the Offeror and Dao Heng Group dated 11th April, 2001 or if the Offer lapses. The Irrevocable Undertaking from Guoco will also lapse if the Offer is not made by the First Long Stop Date or such other date as the Offeror and Guoco may agree.

FINANCIAL SERVICES COMPANIES

Guoco owns five financial services companies, namely Dao Heng Securities Limited, Dao Heng Commodities Limited, Dao Heng Fund Management Limited, Friends Ivory & Sime Asia Limited and Dao Heng Insurance Co., Limited (the *Financial Services Companies*). These companies are involved in stockbroking and corporate finance advisory services, commodities trading, fund management and insurance. DBS and Guoco and their respective concert parties currently have no agreement or understanding in relation to the sale of the Financial Services Companies. However, the parties agree to enter into good faith negotiations in relation to any possible sale to Dao Heng Group. Any sale will be subject to obtaining all applicable regulatory approvals, including approvals from the Hong Kong Monetary Authority, the Monetary Authority of Singapore, the Stock Exchange and the Securities and Futures Commission. Until any such sale, the business of the Financial Services Companies will continue in the ordinary and usual course and Guoco is entitled to dispose of the Financial Services Companies to any third party. The Offer will not be conditional upon completion of any sale of the Financial Services Companies.

INFORMATION ON THE OFFEROR AND THE DBS GROUP

The DBS Group

DBS Group Holdings Limited, together with its subsidiaries (the *DBS Group*), is the largest banking group incorporated in Singapore in terms of shareholder funds and total assets as at 31st December, 2000, being approximately Singapore \$10,495 million (approximately HK\$47,211 million) and approximately Singapore \$111,228 million (approximately HK\$500,320 million) respectively. DBS is a wholly owned subsidiary of DBS Group Holdings Limited, and the Offeror is a wholly owned subsidiary of DBS. DBS's audited net profit after tax for the year ended 31st December, 2000 was Singapore \$1,389 million (approximately HK\$6,248 million). DBS Group Holdings Limited is one of the largest companies whose shares are listed on the Singapore Exchange Limited in terms of market capitalisation.

The Offeror

Incorporation

The Offeror was incorporated in Bermuda for the purpose of making the Offer. Assuming the Offer becomes unconditional in all respects, the Offeror will be the new holding company of Dao Heng Group and its subsidiaries.

The Offeror was incorporated on 6th April, 2001 with an issued share capital of US\$12,000 (the *Subscriber Shares*), which were subscribed for by DBS at their par value of US\$1.00 each. The Offeror has not carried on any business since incorporation, other than matters in connection with the Offer.

Share Capital

As part of the Offer, the Offeror will issue New Shares to DBS for a consideration which is equivalent to the consideration payable (being the cash payable under the Cash Option and the Cash and Share Option) by the Offeror to the Dao Heng Group Shareholders who accept the Offer (the *Accepting Shareholders*). The Offeror will use such consideration (and issue New Shares under the Cash and Share Option) to acquire the Dao Heng Group Shares from the Accepting Shareholders.

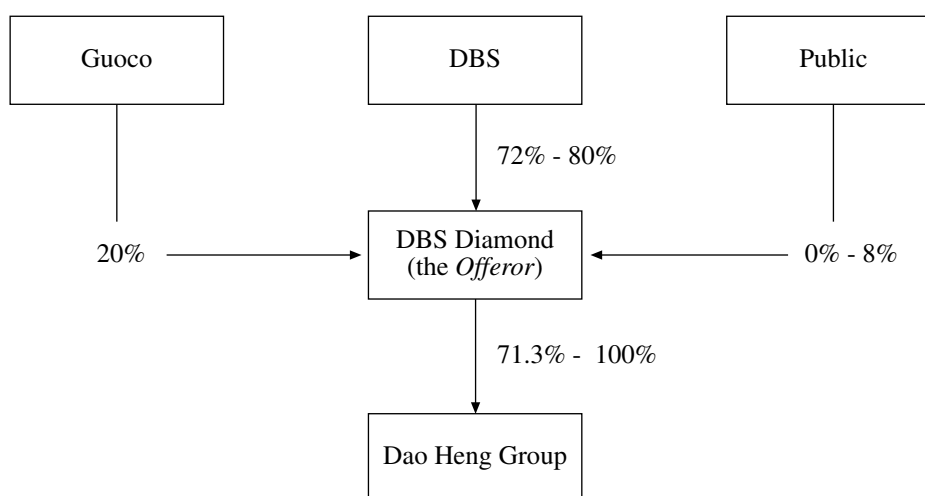
A maximum of approximately 28 per cent. of the Offeror's enlarged share capital (the **Maximum Interest**) may be held by the Accepting Shareholders. The Maximum Interest is calculated on the basis that one out of every 3.56 New Shares in issue will be available to the Accepting Shareholders and on the assumption that all Accepting Shareholders choose the Cash and Share Option and no existing option holders of Dao Heng Group exercise their right to subscribe for Dao Heng Group Shares and choose the Cash and Share Option. The Subscriber Shares are excluded for the purpose of that calculation as the intention is for them to be repurchased in such circumstances. Guoco, which will accept the Cash and Share Option, will, following the Offer hold 496,854,664 New Shares, representing 20 per cent in nominal value of the entire issued share capital of the Offeror. This percentage will be unaffected by the level of elections to the Cash and Share Option by other Dao Heng Group Shareholders.

Corporate Structure

If the Offer becomes unconditional in all respects, the Offeror would become the new holding company of Dao Heng Group. The shareholding interest of the Offeror in Dao Heng Group after the Offer will depend on the level of acceptances in the Offer.

The corporate chart below indicates the levels of possible shareholding interest in the Offeror and Dao Heng Group following the Offer if it becomes unconditional in all respects.

Post Transaction Shareholding Structure



Corporate Matters

As the Offeror is incorporated in Bermuda, its governance will primarily be subject to Bermuda law. The Bye-Laws contain the types of bye-laws which are generally found in other unlisted exempted companies incorporated under the Companies Act, except that the following additional provisions will be included:

- (a) appropriate provisions to reflect the controller provisions of the Banking Ordinance and the Insurance Companies Ordinance; and
- (b) appropriate provisions to reflect the Put Option and the Call Option.

INFORMATION ON DAO HENG GROUP

Dao Heng Group is the holding company of Dao Heng Bank Limited, a Hong Kong licensed bank whose business was established 80 years ago, and Overseas Trust Bank Limited, which was acquired by Dao Heng Bank Limited in 1993. Since 16th December, 1993, Dao Heng Group Shares have been listed on the Stock Exchange and are one of the constituent stocks of the Hang Seng Index. Dao Heng Group, through Dao Heng Group's head office, branches and subsidiaries, provides a wide range of banking, financial and related services to corporate and individual customers, principally in Hong Kong.

The consolidated net profit of Dao Heng Group before and after taxation for the year ended 30th June, 1999 was HK\$1,394,661,000 and HK\$1,185,588,000 respectively and that for the year ended 30th June, 2000 was HK\$1,990,773,000 and HK\$1,723,129,000 respectively. For the period 30th June, 1998 to 30th June, 2000, Dao Heng Group paid a dividend of HK\$1,043,394,794 to Guoco.

PRE-CONDITIONS TO AND CONDITION OF THE OFFER

Pre-Conditions to the Offer

The making of the Offer is conditional on the satisfaction of the following conditions (the **Pre-Conditions**):

- (a) the consent of the Hong Kong Monetary Authority as required under the Banking Ordinance in respect of each of the persons who will become a controller (as such term is defined in such Ordinance) in connection with the Offer and the proposed acquisition of Dao Heng Group Shares and in respect of the appointment of such directors and chief executive of Dao Heng Group and Dao Heng Finance Limited as are nominated by the Offeror, each being obtained in terms satisfactory to the Offeror;
- (b) the consent of the Monetary Authority of Singapore as required under the Banking Act of Singapore in connection with the Offer and the proposed acquisition of Dao Heng Group Shares in terms satisfactory to the Offeror;
- (c) the notification by the Insurance Authority of Hong Kong as required under the Insurance Companies Ordinance that it does not object to any of the persons who will become a controller (as such term is defined in such Ordinance) in connection with the Offer and the proposed acquisition of Dao Heng Group Shares and the consent of such authority to the appointment of such directors and chief executive of Dao Heng Group and Dao Heng Assurance Limited as are nominated by the Offeror, each being obtained in terms satisfactory to the Offeror;
- (d) the Net Deficiency not exceeding HK\$1,321.4 million;
- (e) the passing of a resolution by the shareholders of Guoco at a duly convened special general meeting of Guoco and approval of Guoco's shareholders for the disposal by Guoco of its entire shareholding in Dao Heng Group and acceptance of the Offer, in such manner as may be required by the Listing Rules of the Stock Exchange;
- (f) the consent of the BMA in connection with the issue of shares in the capital of the Offeror for or in connection with the Offer being obtained in terms satisfactory to the Offeror;
- (g) all authorisations, orders, grants, recognitions, confirmations, consents, clearances, permissions and approvals necessary for the proposed acquisition of any Dao Heng Group Shares or control

of Dao Heng Group or any other member of Dao Heng Group from the Securities and Futures Commission, the Stock Exchange and any relevant government, governmental, quasi-governmental, statutory or regulatory body or court (together, the *Authorities*) having been obtained in terms satisfactory to the Offeror (other than any such authorisation, order, grant, recognition, confirmation, consent, clearance, permission and approval which, if it was not obtained, would not have a material and adverse effect on the business of Dao Heng Group and its subsidiaries taken as a whole) and such authorisations, orders, grants, recognitions, confirmations, consents, clearances, permissions and approvals remaining in full force and effect;

- (h) save as disclosed by Guoco in writing to the Offeror or known by the Offeror before the date of this Announcement, there being no provision of any arrangement, agreement or other instrument to which any member of Dao Heng Group is a party or by or to which any such member or any of their assets may be bound or be subject (excluding certificate of deposit) which could, as a result of the proposed acquisition by the Offeror of Dao Heng Group Shares in connection with the Offer or otherwise, result in: (i) the interests or business of any such member in or with any other person, firm or company (or any arrangements relating to such interest or business) being materially adversely affected; or (ii) the creation of any mortgage, charge or other security over the whole or any part of the business, property or assets of any such member; and, in either case, the result will be adverse to and material in the context of Dao Heng Group and its subsidiaries (taken as a whole);
- (i) Dao Heng Group having not since 31st December, 2000 (except as disclosed in the Interim Financials):
 - (i) (except pursuant to Dao Heng Group's share option scheme) issued or authorised the issue of additional shares of any class, or securities convertible into any such shares, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities or any change in its share or loan capital;
 - (ii) declared, paid or made any bonus, dividend or other distribution in respect of the share capital of Dao Heng Group;
 - (iii) taken any corporate action, or had any legal proceedings issued against it, in respect of its winding-up (voluntary or otherwise), dissolution or reorganisation or any analogous proceedings in Hong Kong, save for any such proceedings which are vexatious; or
 - (iv) agreed to do any of the foregoing;
- (j) save as disclosed by Guoco in writing to the Offeror or known to the Offeror, in each case before the date of this Announcement, since 31st December, 2000, no litigation, arbitration proceedings, prosecution or other legal proceedings having been instituted by or remaining outstanding against any member of Dao Heng Group (whether as plaintiff or defendant or otherwise, but save for any such proceedings where such member is the plaintiff and such proceedings are in the ordinary course of its business) and no such proceedings having been threatened against any member of Dao Heng Group the result of which is likely to materially and adversely affect Dao Heng Group and its subsidiaries (taken as a whole); and
- (k) since 31st December, 2000 and ending on the date the Offer Document (as defined below) is despatched to Dao Heng Group Shareholders, no material adverse change having occurred in the

financial condition of Dao Heng Group and its subsidiaries (taken as a whole) except arising from any event or events (including market conditions) affecting banks generally in Hong Kong or disclosed in writing by Guoco to the Offeror or known by the Offeror before the date of this Announcement.

Offer Condition

The Offer is conditional on valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 pm on the date which is 21 days after the despatch of the Offer Document (the **First Closing Date**) (or such later time(s) and/or date(s) as the Offeror may, subject to the rules of the Hong Kong Code on Takeovers and Mergers (the **Takeovers Code**), decide) in respect of more than 50 per cent. in nominal value of the Dao Heng Group Shares carrying voting rights then exercisable at a general meeting of Dao Heng Group (the **Offer Condition**).

Waiver of the Pre-Conditions

The Offeror reserves the right to waive all or any of the Pre-Conditions (other than Pre-Condition (e)) in whole or in part. Pre-Condition (d) may only be waived by the Offeror and Guoco.

Further Announcement

If the Pre-Conditions are satisfied (or, if applicable, waived) on or before 1st August, 2001 or such later date as the Offeror and Guoco, with the consent of the Executive Director of the Corporate Finance Division (the **Executive**) of the Securities and Futures Commission may agree (the **First Long Stop Date**), the Offeror will issue a press announcement as soon as practicable thereafter (the **Further Announcement**).

If the Pre-Conditions are not satisfied by the First Long Stop Date, the Offer will not be made (unless the Offeror and/or Guoco waives the unsatisfied Pre-Conditions) and Dao Heng Group Shareholders will be notified by press announcement as soon as practicable thereafter.

Offer Document

An offer document (the **Offer Document**) setting out the details of the Offer, and the acceptance and transfer forms, will be sent to Dao Heng Group Shareholders before the later of the date which is 35 days after the date of this Announcement and the date which is 7 days after the Pre-Conditions are satisfied or, if applicable, waived (or such later date as the Executive may, at the request of the Offeror and Guoco, consent to).

Pursuant to Note 2 to Rule 8.2 of the Takeovers Code, the Executive has consented to the making of the Offer subject to the prior fulfilment of the Pre-Conditions and that the Offer Document may be despatched according to the timetable referred to above.

Completion of the Offer

If the Offer Condition is not satisfied (or, if applicable, waived) on or before the First Closing Date, the Offer will lapse unless extended by the Offeror. In that case, the Offeror will issue a press announcement as soon as practicable thereafter. The latest date on which the Offeror can declare the Offer unconditional is 60 days after the date of the posting of the Offer Document (or such later date as the Executive may consent to) (the **Second Long Stop Date**).

If the Offer Condition is satisfied (or, if applicable, waived) on or before the Second Long Stop Date, Dao Heng Group Shareholders will be notified by press announcement as soon as practicable thereafter.

RATIONALE FOR THE TRANSACTION

Guoco believes the offer put forward by the Offeror is attractive and presents Guoco with the opportunity to monetize the value it has helped create in Dao Heng Group. Guoco has agreed to accept the Cash and Share Option in view of the size of the transaction and the expected proceeds to Guoco.

MAJOR TRANSACTION

According to Rule 14.09 of the Listing Rules of the Stock Exchange, acceptance of the Offer by Guoco constitutes a major transaction for Guoco. Guoco will issue a circular to its shareholders in due course containing further details of the Offer, together with a notice convening a special general meeting of Guoco to approve the Irrevocable Undertaking.

Upon completion of the Offer, Guoco will receive a substantial amount of cash. The management of Guoco is exploring a wide variety of alternatives for the application of such funds to opportunities that are consistent with management's objective of creating additional value for shareholders, opportunities which management is confident can be developed. Guoco is aware of the obligations under Rule 14.35 of the Rules Governing the Listing of Securities on the Stock Exchange regarding companies whose assets consist substantially of cash. It is Guoco's intention to remain suitable for listing. Guoco will inform shareholders of its plans in due course once they are further advanced. If such plans are further advanced when Guoco issues the circular referred to above, information about them will be given in that circular.

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

TRADING

Trading in the shares of Guoco on the Stock Exchange was suspended at 10 am on 6 April, 2001 at the request of Guoco and an application will be made to the Stock Exchange for the resumption of trading in the shares of Guoco with effect from 10 am on 12th April, 2001.

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

Hong Kong, 11th April, 2001

The directors of Guoco jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Offeror and the Offer which has been supplied by The Development Bank of Singapore Ltd. and DBS Diamond Holdings Ltd.) in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, their opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts (other than that relating to the Offeror and the Offer which has been supplied by The Development Bank of Singapore Ltd. and DBS Diamond Holdings Ltd.) not contained in this announcement the omission of which would make any of their statements in this announcement misleading.

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