Guoco Group Limited

國浩集團有限公司

(Incorporated in Bermuda with limited liability)

1999/2000 INTERIM ANNOUNCEMENT

RESULTS

The Board of Directors of Guoco Group Limited ("the Company" or "the Group") is pleased to announce the unaudited consolidated net profit of the Group, after taxation and minority interests, for the six months ended 31st December, 1999 together with comparative figures for the corresponding period last year as follows:

	Note	**Six months ended 31.12.99 (unaudited) *HK$'000***	Six months ended 31.12.98 (unaudited) *HK$'000*	**Change %**
Turnover	1	**5,128,996**	6,779,612	**-24.3**
Operating profit		**795,748**	426,763	**+86.5**
Provision for diminution in value of properties		**(98,053)**	(72,981)	
Net profit on disposal of properties		**276,961**	–	
(Loss)/profit on disposal of fixed assets		**(30,939)**	1,550	
Net loss on disposal of associated company		**–**	(74,477)	
		943,717	280,855	
Share of profits/(losses) of associated companies		**86,784**	(48,709)	
Share of profits of jointly controlled entities		**11,012**	2,108	
Profit before taxation		**1,041,513**	234,254	
Taxation	2	**(232,469)**	(122,720)	
Profit after taxation		**809,044**	111,534	
Minority interests		**(339,296)**	(21,058)	
Profit attributable to shareholders		**469,748**	90,476	**+419.2**
Dividend		**(63,995)**	(42,663)	
Retained profit for the period		**405,753**	47,813	
Earnings per share				
Basic	3	**HK$1.10**	HK$0.21	
Diluted	3	**HK$1.09**	N/A	

Notes:

1. Group turnover for the period includes net interest income, commissions, fees and other revenues earned from banking. It also includes reinsurance, brokerage, underwriting and other commission, interest income, insurance premiums earned, dividend income, rental income and net investment income, property development income and the value of goods sold.
2. Taxation

	Six months ended 31.12.99 *HK$'000*	Six months ended 31.12.98 *HK$'000*
Hong Kong profits tax	**169,660**	92,536
Overseas taxation	**42,222**	37,134
Deferred taxation	**(24,923)**	(5,594)
Share of associated companies' taxation	**43,536**	(1,356)
Share of jointly controlled entity's taxation	**1,974**	–
	232,469	122,720

Provision for Hong Kong profits tax is based on the estimated assessable profits for the period at the rate of 16% (1998: 16%). Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the countries in which they operate.

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallize in the foreseeable future.

3. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders for the period ended 31st December, 1999 of HK$469,748,000 (1998: HK$90,476,000) and on the 426,631,086 shares (1998: 426,631,086 shares) in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to shareholders for the period ended 31st December, 1999 of HK$463,263,000 and on weighted average number of 426,892,180 shares in issue during the period after adjusting for the effect of all dilutive potential ordinary shares.

During the period ended 31st December, 1998, there were no dilutive potential ordinary shares, thus fully diluted earnings per share are not disclosed.

4. The accounts of the Company are maintained in United States dollars. The accounting figures shown above have been translated from United States dollars into Hong Kong dollar equivalents at the rates ruling at the respective financial period ends for presentation purposes only (1999: US$1=HK$7.7715; 1998: US$1=HK$7.7475).
5. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

The Group has adopted the new Statement of Standard Accounting Practice 2.124 "Accounting for Investments in Securities" issued by the Hong Kong Society of Accountants with effect from 1st July, 1998 which resulted in a change of accounting policy in respect of treasury bills, certificates of deposits, and securities held for dealing and investment purpose.

This change in accounting policy has the effect of increasing the net profit by HK$27,550,000 for the period ended 31st December, 1998. Comparative figures for the period ended 31st December, 1998 were restated to reflect the change in accounting policy.

REVIEW OF ACTIVITIES

Dao Heng Bank Group Limited ("DHBG")

Financial services remain the backbone of the Group's core business. DHBG which accounts for 89% of the Group's turnover, achieved a reasonable level of profit despite the unfavourable economic climate during the period.

DHBG, the Group's 71.5% owned Hong Kong listed subsidiary, recorded an unaudited interim consolidated net profit of HK$801 million, representing a 57% increase from the corresponding period for the previous financial year.

DHBG's net interest income increased by 24.4%, as a result of higher loan volumes, an improved Prime-Hibor spread, and enhanced management of its large portfolio of liquid treasury assets. Despite tighter pricing in the residential loan market, the net interest margin increased by an impressive 48 basis points to 2.62% for the period. Other operating income decreased by 32.2% to HK$461 million, due to an exceptionally strong performance in the year earlier period including a one time gain of HK$181 million from the early redemption of US$81 million fixed rate subordinated notes as well as significant trading profits resulting from higher than normal market volatility in the second half of calendar 1998. In contrast, net fee and commission income actually increased 10.3% in the 1999 period as compared to a year earlier, due primarily to a pickup in cross-selling income including securities, insurance and other investment products.

DHBG's loan quality has stabilized during the past six months, with non-performing loans constant at 4.06% of total loans for both reporting dates. Overdue loans were likewise flat at 3.82% of total loans on 31st December, 1999 as compared to 3.81% on 30th June, 1999. Rescheduled advances declined to 1.35% from 1.60% of total advances as of 30th June, 1999. The residential mortgage portfolio continues to perform acceptably, with overdues greater than 90 days at 1.0% as of the reporting date. The quality of PRC related credits continues to warrant close attention, though it is believed the majority of PRC borrowers will manage to work with their creditors to ensure their financial viability. As of 31st December, 1999, gross loans to PRC related entities totaled approximately 0.5% of total assets.

DHBG completed the major phase in re-structuring its domestic branch network during the past year and is now more focused to pursue its goal of becoming a leading consumer and commercial bank in Hong Kong. A key Groupwide marketing initiative this year is our range of Mandatory Provident Fund products and services which provide a comprehensive package of easy to use financial services to both employers and employees.

Dao Heng Markets continues to enhance its market penetration, and is now the second largest local bank participant in Hong Kong's debt capital markets. Dao Heng Card Centre is likewise experiencing good growth in its cardholder base, accounts receivable, and turnover. DHBG's Global Private Banking and Premier Banking units are also providing an increasingly wider range of investment and lending products to meet their customers' more sophisticated financial services needs. On a corporate level, DHBG is honored to be named as the second best bank in Asia in a survey conducted by Asiamoney and was chosen to be a Hang Seng index constituent stock effective 6th December, 1999.

DHBG is also in the process of forming new strategic alliances with the technology sector to further enhance next generation e-commerce and e-banking products and services, as well as closely evaluating the HKMA's proposed guidelines on the regulatory framework for virtual banks.

In addition to its channel expansion strategy, DHBG continues to invest in and build the supporting information technology systems that will enable Dao Heng to optimise the efficiency, profitability and customer centric potentiality of those channels. Foremost among those investments is the Customer Relationship Management System, which has been under development for more than a year and will go live in April 2000. Likewise the Behavioral Scoring System of Dao Heng Card Centre has already been implemented and is proving to be a valuable tool for dynamically responding to and filling customer needs.

First Capital Corporation Ltd ("FCC")

The performance of FCC, the Group's 51.2% owned listed subsidiary in Singapore, reported a profit after tax and minority interests of S$49.2 million. This is a turnaround from the loss after tax and minority interests of S$44.4 million reported in the previous corresponding period.

During the financial period, FCC launched another 216 units in Aquarius By The Park. As of 31st December, 1999, 135 units with a sales value of S$92 million had been sold. FCC has also been actively sourcing new development sites to increase its landbank. During the period, FCC completed the acquisition of Tanglin Studios at Leonie Hill and the freehold site at Katong Park Hotel. It further acquired Paya Lebar (Shell Club) site and took a 40% stake in Cuscaden site. FCC's current land bank is now 2,360,288 sq.ft.

Taking advantage of the favourable stock market conditions, the fund division of FCC reported a pre-tax profit of S$5 million. The division will continue to accumulate stocks selectively to position itself for the upturn in the first quarter of 2000.

FCC's insurance division turned in a pre-tax profit S$1.9 million mainly due to gains made from its equity portfolio as a result of the improved stock market sentiments.

Other Property Interests

During the period under review, the Group's listed property subsidiary in Hong Kong, Guoco Land Limited ("GLL"), which is 53% owned by the Group and 20% by FCC, recorded an unaudited consolidated profit before taxation of HK$426,000 for the six months under review. After taking up GLL's share of profit of an associated company which amounted to HK$1,622,000, the unaudited consolidated net profit of GLL after taxation amounted to HK$825,000.

GLL continues to derive recurring steady rental income for its Hong Kong investment properties. The property project under joint venture with a major property developer in Tai Hang Road is progressing satisfactorily with target sale launch around mid 2000. In view of the sluggish demand for commercial property, it was decided to develop the Tsim Sha Tsui property project as a service apartment.

GLL has made an announcement dated 17th March, 2000 concerning its discussions with several investors for a proposed subscription of shares in the company. In the event that such a transaction is concluded, an announcement with further details will be published.

Guoco Properties Limited ("GPL") a 45%/55% joint venture between FCC and the Company, holds a 75% stake in Corporate Square, a 17-storey office development in Finance Street, Beijing. As at to date, approximately 50% of the office space has either been sold or leased.

Guoco Holdings (Philippines), Inc. ("GHPI")

For the six months ended 31st December, 1999, GHPI group incurred losses as the holding company as well as the operating companies in the manufacturing division, Lepanto Ceramics Inc. and Pepsi Cola Products Philippines Inc. ("PCPPI") were affected by high financing costs.

As previously reported, GHPI Group is undertaking major initiatives to improve its financial position as well as extensive cost control and rightsizing programs for its operating subsidiaries. We believe that the various initiatives undertaken by PCPPI have now stabilized its operations and we expect positive cashflow in the operations going forward. Similar measures are being undertaken for Lepanto Ceramics Inc. Other progress, albeit slow owing to market conditions, has also been made in its financial plan of divesting non-core and non-profitable assets to reduce debt and to restructure loans. The sale of non-core assets is at various stages of negotiations and the asset rationalization program is expected to be partially completed before the end of the current fiscal year.

Hong Leong Credit Berhad ("HLC")

The Hong Leong Credit Berhad Group ("HLC") achieved a profit before taxation ("PBT") of RM238.0 million for the period under review compared with a PBT of RM18.0 million same period last year. All divisions reported profits and these have contributed to the improvement in HLC's results.

The Hong Leong Bank ("HLB") Group reported a PBT of RM201.5 million compared to RM73.0 million last year. This impressive growth was mainly due to better interest margins as well as the increase in business volume for both HLB and Hong Leong Finance Berhad with the strong recovery of the Malaysian economy.

For the 6 months ended December 1999, the stock-broking division of HLC achieved a PBT of RM20.5 million compared to a loss of RM66.0 million same period last year. The company's trading volume has increased by 178% over the corresponding period, in line with the improvement in the Kuala Lumpur Stock Exchange business volume.

Insurance division's PBT of RM35.8 million for this period was recorded on the back of 10% growth in gross premium income. Hong Leong Assurance Berhad continues to strengthen its commercial and retail thrust and is broadening its distribution base into Bancassurance in co-operation with HLB.

Other Financial Services

Dao Heng Securities Limited ("DHS") reported satisfactory results during the period. DHS launched mobile phone banking in conjunction with Dao Heng Bank in September 1999. The DHS Internet trading site DHSEC.com was also officially launched early this year.

Dao Heng Insurance Co., Limited ("DHI") reported modest results during the interim period due to intense competition. To strengthen its competitive edge, DHI has made major investment in new system development in order to support the aggressive plan in tapping the Personal Insurance and Medical Insurance market.

The MPF Project was the main focus for Dao Heng Fund Management Limited ("DHFM"). The logistics and groundwork were well in place for the launch of the MPF scheme in February. Competition in the MPF scheme is very keen with over 20 service providers in the market. As part of the initiative to become a major player in the MPF market, a joint venture between the Group and Friends Ivory & Sime Plc ("FIS") was formed on 1st December, 1999. FIS is a renowned fund management company in the region and the joint venture would enhance the asset management business of the Group and allow DHFM to approach a wider range of prospects and larger institutional and pension funds.

YEAR 2000 REPORT

The Group has included in previous annual reports and interim reports, information relating to the Group's definition of Year 2000 compliance, the risks and uncertainties associated with Year 2000 issues, and the structure of its Year 2000 compliance project. All Year 2000 preparations by the Group have been completed and the progress of such activities reported to the Hong Kong Monetary Authority, Securities and Futures Commission, and other regulatory authorities, as required.

The Group has experienced a successful transition to year 2000, and so far, no operational problems have been reported. With the most critical dates passed, the Group continues to monitor the situation with respect to its external counterparties and is prepared for possible contingencies in respect of other critical dates that may have Year 2000 issues.

The total cost of the Year 2000 project for the Group is estimated at approximately HK$31 million, with HK$25 million to be capitalized as fixed assets and HK$6 million in expenses. The Group does not expect any material financial commitments to be incurred in respect of the Year 2000 project after 31st December, 1999.

OUTLOOK

Economic indicators of the Asian countries show that the worst was over and countries in the region are gradually recovering with growth in their GDP by varying degrees. We share this cautious optimism that the level of economic activity in the region is improving and believe that the Group's overall performance for the second half of the financial year should show improvement over the period under review.

DIVIDEND

The Directors have declared an interim dividend of HK$0.15 per share amounting to HK$63,995,000 (1998/99 interim dividend: HK$0.10 per share amounting to HK$42,663,000) for the financial year ending 30th June, 2000 which will be payable on 17th April, 2000 to the shareholders whose names appear on the Register of Members on 14th April, 2000.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

No Director of the Company is aware of information which would reasonably indicate that the Company was not in compliance with the Code of Best Practice, as adopted by the Company, at any time during the six months ended 31st December, 1999.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 11th April, 2000 to 14th April, 2000, both days inclusive, during which period no transfer of shares can be effected.

In order to qualify for the above dividend, all share transfers accompanied by the requisite share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Central Registration Hong Kong Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 10th April, 2000.

By Order of the Board
Doris W. N. Wong
Company Secretary

Hong Kong, 24th March, 2000