



# 國浩集團 Guoco Group

New logo,  
New headquarters,  
New Beginning.

Dao Heng Bank  
at The Center

  
DaoHengBankGroup



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Guoco Group

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Results  
Announcements

Announcements





## Contents

Corporate Information	2
Biographical Details of Directors and Senior Management	3
Chairman's Statement	5
Management Organisation Chart	8
Review of Operations	9
Ten Year Summary	28
Financial Section	30
Report of the Directors	31
Auditors' Report	42
Consolidated Profit and Loss Account	43
Consolidated Statement of Recognised Gains and Losses	44
Consolidated Balance Sheet	45
Balance Sheet	47
Consolidated Cash Flow Statement	48
Notes on the Accounts	50
List of Properties	92

Please visit our website at <http://www.guoco.com> and click into **Annual/Interim Reports** and **Annual/Interim Results Announcements** to view our results.

## BOARD OF DIRECTORS

Quek Leng Chan – Chairman  
Kwek Leng Hai – President, CEO  
Sat Pal Khattar  
Kwek Leng San  
Mishal Abdulah Abdulaziz Al Masad  
Randolph Gordon Sullivan  
Tan Lim Heng  
Harry Richard Wilkinson  
Jamal Al-Babtain

## COMPANY SECRETARY

Doris W.N. Wong  
(E-mail address: [doriswong@guoco.com](mailto:doriswong@guoco.com))

## AUDITORS

KPMG  
Certified Public Accountants

## BRANCH SHARE REGISTRARS

Central Registration Hong Kong Limited  
Shops 1712-6,  
17th Floor, Hopewell Centre,  
183 Queen's Road East, Hong Kong

## REGISTERED ADDRESS

Cedar House, 41 Cedar Avenue,  
Hamilton, HM12, Bermuda

## PRINCIPAL OFFICE

11th Floor, The Center,  
99 Queen's Road Central,  
Hong Kong  
Telephone : (852) 2218 8899  
Fax : (852) 2285 3899  
Internet address : <http://www.guoco.com>  
Telex : HX73345

## INTERNET WEBSITES OF OTHER SUBSIDIARIES AND ASSOCIATE

Dao Heng Bank Group Limited  
(<http://www.daoheng.com>)  
First Capital Corporation Ltd  
(<http://www.fcc.com.sg>)  
imGO Limited  
(formerly known as Guoco Land Limited)  
(<http://www.imgoasia.com>)

## FINANCIAL CALENDAR

Interim results announcement	24th March, 2000
Closure of Register of Members	11th April, 2000 to 14th April, 2000
Interim dividend of HK\$0.15 per share paid on	17th April, 2000
Annual results announcement	13th October, 2000
Closure of Register of Members	14th November, 2000 to 20th November, 2000
Annual General Meeting	20th November, 2000
Final dividend of HK\$0.55 per share payable on	21st November, 2000

## Biographical Details of Directors and Senior Management

**Quek Leng Chan**, aged 57, is the Chairman of Guoco Group Limited (“Guoco”), Dao Heng Bank Limited (“DHB”) and Overseas Trust Bank, Limited (“OTB”). He is also the Executive Chairman of Dao Heng Bank Group Limited (“DHBG”) and the Hong Leong Group Malaysia. Mr. Quek has a law degree and has extensive business experience in various business sectors, including financial services, manufacturing and real estate. He has been the Chairman of the Guoco Group and DHB since 1982. Mr. Quek is a Director of Guoline Overseas Limited (“GOL”), a substantial shareholder of Guoco. He is a brother of Mr. Kwek Leng Hai and Mr. Kwek Leng San.

**Kwek Leng Hai**, aged 47, is the President and Chief Executive of Guoco and the Managing Director of DHBG. He is also the Chief Executive of DHB and OTB. Mr. Kwek is a qualified chartered accountant. Prior to joining DHB in 1985, he was the Managing Director of Hong Leong Industries Berhad. Mr. Kwek has extensive experience in financial services, manufacturing and property investment. Mr. Kwek is a Director of GOL, a substantial shareholder of Guoco. He is a brother of Mr. Quek Leng Chan and Mr. Kwek Leng San.

**Sat Pal Khattar\***, aged 57, is a Director of Guoco, DHBG, DHB and OTB. Mr. Khattar obtained a LLM degree and a LLB (Hons) degree from the University of Singapore. He is a senior partner of Khattar Wong & Partners in Singapore. He is also the Chairman of First Capital Corporation Ltd (“FCC”), a subsidiary of Guoco, in Singapore and other public and private companies in Singapore and elsewhere.

**Kwek Leng San\***, aged 45, is a Director of Guoco, DHBG, DHB and OTB. He is the President and Chief Executive Officer of Hong Leong Industries Berhad, a member of the Hong Leong Group Malaysia. He holds a bachelor of science degree in engineering and a master of science degree in finance. Mr. Kwek is a Director of GOL, a substantial shareholder of Guoco. He is a brother of Mr. Quek Leng Chan and Mr. Kwek Leng Hai.

**Mishal Abdullah Abdulaziz Al Masad\***, aged 42, is a Director of Guoco, DHBG, DHB and OTB. He is a Senior Investment Manager of Kuwait Investment Office, London. He holds an associate student certificate in business studies and a bachelor of arts degree in economics. He has been a Director of Guoco since 1986.

**Randolph Gordon Sullivan**, aged 52, is a Director of Guoco and DHBG. He is also the Managing Director and Alternate Chief Executive of DHB and OTB. Mr. Sullivan holds a bachelor of science degree in foreign service from Georgetown University and has done post-graduate work at the Insead executive programme in Fontainebleau, France. He has over 28 years of banking experience. Prior to joining DHB in 1987, he had worked in a major international bank for 16 years and held various positions in North America, Europe and the Middle East. He has been appointed as a member of the Deposit-Taking Companies Advisory Committee since June 1997 and Standing Committee on Company Law Reform since February 2000.

## Biographical Details of Directors and Senior Management

**Tan Lim Heng**, aged 52, is a Director of Guoco and imGO Limited (formerly known as Guoco Land Limited). He is the Managing Director of Dao Heng Securities Limited and Dao Heng Commodities Limited. Mr. Tan holds a Bachelor of Science first class honours degree in engineering from University of Surrey and a Master of Science degree in management from Massachusetts Institute of Technology. Prior to joining Guoco as a senior management executive in 1990, he had served in the Singapore Civil Service as a Colombo Plan Scholar 1975-1978 before coming to work in Hong Kong with a financial services company and a major U.S. bank. He had also previously worked in Geneva in 1974 with the United Nations Conference on Trade and Development. Mr. Tan has extensive experience in property investment, financial and investment management services.

**Harry Richard Wilkinson\***, aged 57, is a Director of Guoco, DHBG and DHB. He is also a Director and Chief Financial Officer of Orient Overseas (International) Limited. Mr. Wilkinson was previously Managing Director and Regional Manager of Chemical Bank for Hong Kong, China and Taiwan and has considerable experience in shipping and banking. His career began at Manufacturers Hanover Trust Company in New York in 1975, where he held various positions. Manufacturers Hanover Trust Company was the predecessor of Chemical Bank, which was absorbed by merger in 1992. Mr. Wilkinson was a US Navy Officer for five years and was awarded three Military awards. He holds three master degrees from Horace H Rackham School of Graduate Studies, The University of Michigan at Ann Arbor, MI. He was previously on the Banking Advisory Committee to the Government and is currently on the Visiting Committee of the University of Michigan Business School.

**Jamal Al-Babtain\***, aged 38, is a Director of Guoco, DHBG, FCC, Overseas Union Bank Ltd and Grupo Torras SA, Madrid. He is a Vice President of Kuwait Investment Office, London. He holds a bachelor of arts degree in business administration. He has been a Director of Guoco since 1998.

*\* Non-executive Director*

On behalf of the Board of Directors, I am pleased to present the Annual Report and Accounts of Guoco Group Limited (the “Group”) for the financial year ended 30th June, 2000.

Economic recovery is clearly evident in the Group's core markets of Hong Kong, Singapore and Malaysia. As has been the experience of recovering economies after a major correction, it is anticipated that the rate of progress will vary. The amplitude and speed of recovery will be determined by specific events in each market.

## FINANCIAL RESULTS

The Group has reported consolidated profit attributable to shareholders of HK\$752 million, a 22.9% increase over the previous year. Basic earnings per share grew 22.2% to HK\$1.76 per share. Consolidated shareholders' funds have also expanded to HK\$11.3 billion, representing an increase of 4.2% over the previous financial year.

At the forthcoming Annual General Meeting, the Board of Directors will recommend the payment of a final dividend of HK\$0.55 per share which together with the interim dividend of HK\$0.15 per share paid during the year, makes a total dividend for the year of HK\$299 million or HK\$0.70 per share, a 16.7% increase over last year's level.

## STRATEGIC OVERVIEW

Forward-looking initiatives to strengthen the Group's core business in financial services continue to be implemented.

- Dao Heng Bank Group (“DHBG”) has been restructured with the adoption of a sales-driven growth strategy and marketing-oriented approach. All operating divisions and the branch network are focused on DHBG's goal of creating a leading universal consumer and commercial bank in Hong Kong.

DHBG continues to intensify its investment in technology and offers a wide range of financial services via a comprehensive e-banking and e-commerce platform. Group customers now enjoy superior, anytime/anywhere access to their financial services requirements. This access is provided via a wide choice of electronic delivery channels, which complements the Group's extensive branch network. Direct marketing capabilities through the DaoHeng Direct call centre, which already encompasses Mortgage Direct, Share Direct, Insurance Direct and Integrated Account Management, have been further expanded.

- The Group's financial services subsidiaries are closely collaborating with DHBG to utilise state-of-the-art distribution channels to deliver suitably bundled products that are specific and appropriate to targeted customer segments. These and further initiatives are being undertaken to transform DHBG into a truly customer-centric, marketing-driven, technology focused universal bank.
- First Capital Corporation Ltd ("FCC") has achieved a return to profit, despite the lacklustre property market in Singapore. Property development is a brick and mortar business which will continue to have a meaningful role in the New Economy. FCC will continue to provide quality housing and, at the same time, refine its business processes through information technology and e-business to enhance its product features and marketability. To augment its fee income, FCC will further expand its property activities into related financial services that are appropriate in a low inflation environment.
- In line with the strong economic growth in Malaysia, Hong Leong Credit Berhad ("HLC") achieved excellent results with a three-fold increase in profit after taxation for the year. In response to the Malaysian Government's call for banking sector consolidation, Hong Leong Bank Berhad, a major subsidiary of HLC, having become one of the ten anchor banks, has conditionally agreed to acquire the entire equity interests in Credit Corporation (Malaysia) Berhad and Wah Tat Bank Berhad.
- The business of Guoco Land Limited has been changed from property investment and development to focus on opportunities in the wireless sector. Its new strategic shareholders, Investor AB, Ericsson and Hutchison, who collectively acquired a controlling stake in the company, provide valuable industry knowledge and expertise. The Group's interest has been diluted from approximately 73% to 24%. To better reflect its new focus, Guoco Land changed its name to imGO Limited. It is anticipated that there may be resulting synergistic benefits to the Group's financial services e-commerce initiatives.
- Guoco Holdings (Philippines), Inc. ("GHPI") reported substantial losses mainly due to high finance cost and substantial provisions for investment losses. GHPI continued to face difficult operating conditions during the period, exacerbated by the currently weak economic and market conditions in the Philippines. Notwithstanding these difficult conditions, GHPI has achieved some tangible progress in its major initiatives to improve its financial position including extensive cost control, rightsizing programs for its operating subsidiaries and divesting of non-core assets. GHPI and its operating subsidiaries are reviewing their financial restructuring plans in light of a realistic appraisal of anticipated market conditions.

## INVESTING FOR THE FUTURE

To succeed in the New Economy, technology and customer focus will be pivotal. The Group continues its commitment to maintain leadership in information technology and to forge additional strategic alliances with selected technology companies, to enhance its e-commerce and e-banking products and delivery channel capabilities. The new Customer Relationship Management System, which has already delivered powerful competitive advantages through cost effective cross selling and improved distribution channel management, will be further enhanced.

To help achieve synergies, cost and scale benefits and greater know-how sharing across the Group's various financial services entities, an Information Technology Council ("ITC") has been established. Collaborative efforts through the ITC have already helped to realise intellectual capital values across the Group.

## OUTLOOK

Given the improved economic prospects within our major markets and the strengthening position of our financial service operations, the Group anticipates, barring unforeseen circumstances, to improve its earnings for the forthcoming year.

## APPRECIATION

The Group's clear focus and pro-active strategies have resulted in DHBG being honored as the second best bank in Asia in a survey conducted by Asiamoney. DHBG was also chosen as one of the 33 Hang Seng Index constituent stocks in December 1999. These achievements could only have been attained with the total support and commitment of our management team. I wish to thank the Group's management and staff for their hard work, dedication and team spirit during the past year. I also thank our shareholders, customers and financiers for their ongoing support and my fellow directors for their invaluable advice and contribution.

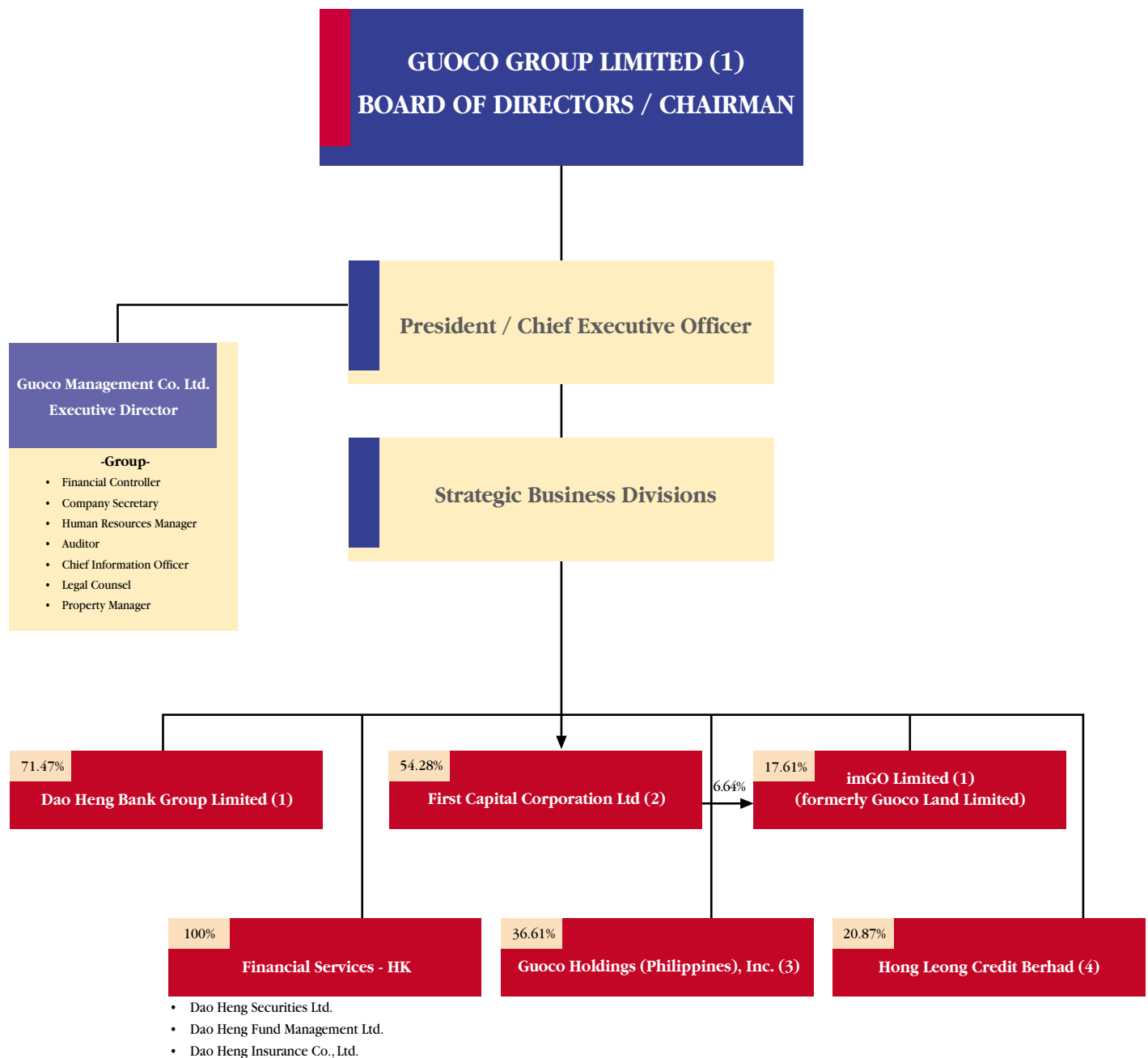
**Quek Leng Chan**

*Chairman*

13th October, 2000



# Management Organisation Chart



1. Listed in Hong Kong      2. Listed in Singapore      3. Listed in the Philippines      4. Listed in Malaysia

## Websites on the Internet:

- Guoco Group Limited (<http://www.guoco.com>)
- Dao Heng Bank Group Limited (<http://www.daoheng.com>)
- First Capital Corporation Ltd (<http://www.fcc.com.sg>)
- imGO Limited (<http://www.imgoasia.com>)

## DAO HENG BANK GROUP LIMITED (“DHBG”) – 71.47% OWNED BY THE GROUP

The profit attributable to the shareholders of DHBG amounts to HK\$1,730 million, an increase of 43.8% from the previous year. Earnings per share were HK\$2.49.

The consolidated financial highlights of DHBG are shown below:-

	As at 30.6.2000 HK\$ million	As at 30.6.1999 HK\$ million	Percentage Change
Total Assets	<b>141,986</b>	131,876	<b>+7.7</b>
Total Deposits	<b>113,235</b>	104,978	<b>+7.9</b>
Total Advances (Note) (net of provisions)	<b>65,337</b>	64,941	<b>+0.6</b>
Shareholders' Funds	<b>12,543</b>	11,657	<b>+7.6</b>
Profit attributable to shareholders	<b>1,730</b>	1,203	<b>+43.8</b>
Loan/Deposit Ratio	<b>57.7%</b>	61.9%	
Return on Average Equity	<b>14.3%</b>	10.6%	
Return on Average Assets	<b>1.3%</b>	0.9%	

Note: Loan growth was 2.3% before mortgage securitisation of HK\$1.1 billion.

- Capital adequacy ratio = 22.6% (on a capital base of HK\$15 billion), increase of 5.4% or HK\$767 million over the previous year.
- Average liquidity ratio = 49.0%

## MARKET REVIEW

After experiencing vigorous 14.3% real growth in the first quarter of 2000, the Hong Kong economy remained on the road of recovery, growing by 10.8% year-on-year in the second quarter. Robust real GDP growth was partly due to the low base effect, buoyant offshore financial activities, and rapid growth in the

tourism industry. More importantly, strong import absorption in the US, Euroland, and Asia supported Hong Kong's impressive external trade performance. Meanwhile, moderate gains in consumption and a surge in investment also reinforced the recovery momentum.

Looking forward, given dissipation of the low base effect and an anticipated soft landing in the US economy, Hong Kong's economy is expected to slow down in the second half of 2000. However, external demand will remain the key driving force due to strong growth in the global economy, despite the temporary ill effects of high oil prices. Amidst the rapid development of knowledge-based economic activities and the forthcoming approval of China's WTO entry, moderate gains in real investment spending in the private sector are likely to continue even in a high real interest rate environment. Taking account of all these diverse factors, in the year 2000 the Hong Kong economy will likely grow by 8.8% with 3.5% deflation, with continued improvement expected in 2001 as inflation will emerge, probably in the second half of next year.

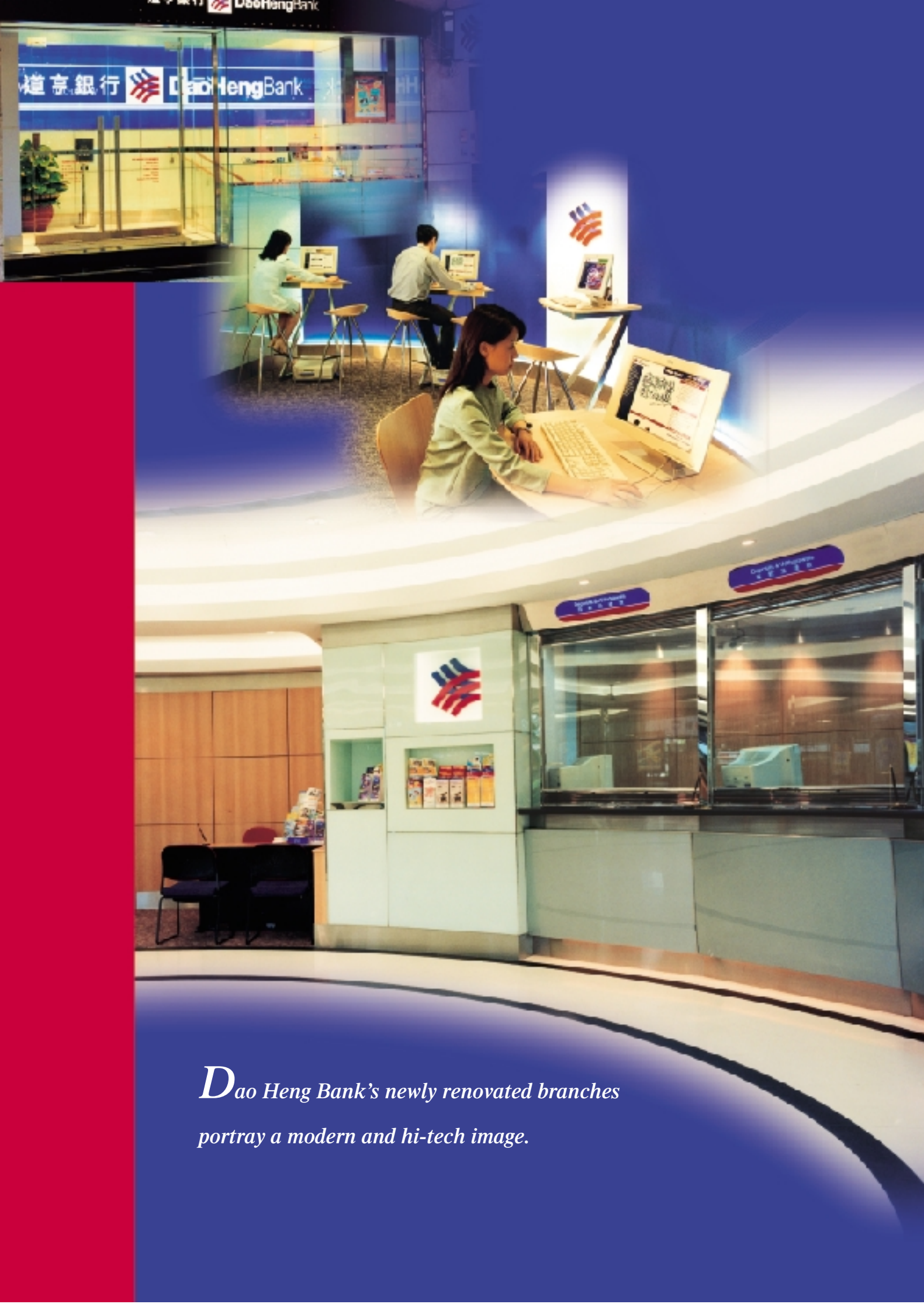
## **FINANCIAL REVIEW**

### **Operating Results**

DHBG reported an increase in net interest income of 17.8%, benefiting from a wider HK Dollar Prime/Hibor spread, thereby improving the net interest margin by 28 basis points to 2.61% for the year.

Despite strong growth in recurring fees and commissions, which were up 11.7% for the year, overall non-interest income was 21.5% lower at HK\$890 million for the fiscal year. This decrease was primarily due to very strong market related earnings in the prior year comparable period that resulted from unusual levels of market volatility and declining interest rates. Although domestic demand for financial service products was somewhat subdued for much of the fiscal year, DHBG continued to invest in new technologies and developed new product lines in anticipation of Hong Kong's economic rebound. This long term commitment to invest in people, systems, premises, and delivery channels resulted in a 7.3% increase in operating expenses. As a consequence DHBG's cost-to-income ratio rose modestly from 39.4% to 40.0%.

DHBG's operating profit benefited significantly from a much lower level of loan loss provisions, which shrunk 57.3% from HK\$857 million last year to HK\$366 million in the year 1999/2000. Combined with the growth in pre-provision operating income, overall operating profit grew 43.1% to HK\$1,993 million.



*Dao Heng Bank's newly renovated branches  
portray a modern and hi-tech image.*



As at 30th June, 2000, total deposits were HK\$113.2 billion, reflecting a growth rate of 7.9% from the previous year. Total loans grew 0.6% to HK\$65.3 billion, resulting from slack demand for new credit. DHBG however did continue its mortgage securitisation and asset sales to the Hong Kong Mortgage Corporation, which totalled HK\$1.1 billion during the year. If these loans had been retained on our balance sheet, loan growth would have been 2.3%. Although there was marginal overall loan growth, the loan mix continued to shift as consumer loans grew 8.2% while commercial and corporate lending declined by 8.5%. DHBG's loans to deposits ratio of 57.7% and loans to assets ratio of 46.0% reflect both DHBG's conservative credit policy as well as its ability to generate ample liquidity to fund future asset growth as economic growth resumes.

Shareholders' funds increased 7.6% to HK\$12.5 billion, with Dao Heng Bank Limited's consolidated capital adequacy ratio at a solid 22.6% (of which the Tier I ratio was 17.8%). DHBG continued to exhibit a highly liquid balance sheet, with 48.4% of total assets held in the form of government securities, interbank placements, and negotiable securities.

## **Asset Quality**

DHBG's loan quality continues to improve with non-accrual loans and loans overdue for more than 90 days recorded at 3.9% and 3.6% respectively of total loans at financial year end date. Restructured loans stood at 1.2% and residential mortgage overdues greater than 90 days were 1.3% as of June 2000.

## **BUSINESS REVIEW**

### **Consumer Banking Division**

To better serve customers and build its position for the future evolution of the financial services industry, DHBG continues to develop its organisational structure to enhance operational effectiveness and efficiency. The Consumer Banking Division operates two consumer relationship segments, namely Personal Banking and Premier Banking, which are complemented by two consumer product segments, namely Mortgage Banking and Credit Card.

The Consumer Banking Division operates electronic delivery channels and a high-tech Call Centre which provides customers with highly convenient "anytime, anywhere" access to their banking and financial services. Its latest delivery channel initiatives include mobile phone and internet banking. Customers can now perform a wide variety of financial transactions on their mobile phone screens or over the internet, including a sophisticated price-alert capability for monitoring their stock market transactions.

Personal Banking Division manages the Bank's face-to-face delivery channels, including its extensive domestic branch network, as well as a range of offsite ATMs and several high-tech automated banking

centres. The domestic branch network has been reconfigured to serve customers better by providing multiple delivery channels and customised sales and service outlets such as community branches, personal financial service centres and 24-hour self service centres.

Considerable effort has been made during the year to broaden the range of DHBG's personal loan products, in order to provide its customers with more flexible choices to meet their short term financing requirements. DHBG's redesigned personal tax loan product met with widespread customer acceptance. The combo equity loan has given a new financial flexibility to owners of residential property, by enabling them to tailor their borrowing facility with a combination of an instalment loan as well as a personal revolving credit line. More recently, DHBG has launched its online internet based personal loan product, ec-cash, which provides customers with a convenient channel to apply for personal loans. DHBG has also introduced specialized revolving lines of credit for professional practitioners, including doctors, accountants and lawyers.

The Premier Banking Division offers its customers an expanded product range combined with dedicated service outlets. These customised services enable the Bank to better satisfy the increasing demand for sophisticated financial service products from Hong Kong's affluent population base. Included among the more recently launched products are premium deposits, equity linked notes, and other wealth management products.

*A new business credit and ec-card were launched during the year.*



*DaoHeng ec-banking incorporates the latest information technology to provide banking services via Internet.*



*Dao Heng Bank provides a wide range of financial products to customers.*



Dao Heng Card continues to grow, registering double-digit increases in cards-in-force, accounts receivable, cardholder spending, and merchant sales turnover. DHBG's card product range has continued to expand to include a new business credit card for small businesses as well as ec-card, which is an innovative virtual credit card tailor made for internet commerce. During the past year, several I.T.-based systems have been introduced or upgraded to position the Credit Card unit for anticipated growth as consumer confidence in Hong Kong improves. As of 30th June, 2000, the total outstanding receivables balance on the Bank's credit cards was HK\$3.6 billion.

The Mortgage Banking Division has completed its initial year as a separate Division to enable the Bank to excel in the provision of mortgages, its most important consumer loan product. Based on its call centre technology and an advanced product development and loan fulfilment capability, Mortgage Banking enables the Bank to have a competitive edge in the Hong Kong marketplace. The industry-leading telemarketing capabilities of its call centre are also now being applied to other important consumer products such as insurance and its Dao Heng Direct Club membership base continues to expand with an increasingly wider range of product offerings including Domestic Helper Insurance. In addition, Mortgage Banking Division will soon launch its new online mortgage loan application product, ec-home.



*Call Centre of the Mortgage Banking Division is in full operation.*

### Private Banking Division

The Bank's Global Private Banking Division has been refocused to meet its customers' increasingly sophisticated requirements for personalised and professional investment and other banking services, including services to non-Hong Kong residents in the ASEAN region and the United Kingdom. The Bank is expanding its Global Private Banking business by focusing on the Bank's regional relationships and by offering a broad range of customized products. A wholly owned Jersey-based trust company has been established for the provision of trustee services. A Hong Kong company was also established to provide corporate services to Private Banking and other customers.



*The trust unit of Global Private Banking Division offers family trust and corporate services.*

## Commercial and Corporate Banking

DHBG has taken advantage of the recent slower market to restructure its Commercial and Corporate Banking Divisions to enable it to offer a wide range of business banking products in a more professional, productive and profitable manner. To provide business banking customers with a seamless transition in meeting their changing financial service needs as they grow and evolve, the Commercial and Corporate Banking Divisions have been merged into two centralised units, one on Hong Kong Island and the other in Kowloon, from which industry/sector focus teams provide services to clients.



Another major initiative has been to develop the Trade Finance and Corporate Services Division to improve both the quality and scope of services provided to our business banking and corporate customers. Among these initiatives are the provision of call centre support, centralized trade bill processing, and segmentation of our product offerings to more closely align them with customer requirements.

*In collaboration with the Export Credit Insurance Corporation, Dao Heng Bank provides credit facilities to SMEs in Hong Kong.*

DHBG's wholly-owned subsidiary, Dao Heng Finance Limited, continues to be a market leader in the taxi and public light bus financing market. This line of business, which has seen considerable pressure during the Asian Financial Crisis due to severe asset deflation, exhibited signs of recovery during the latter part of the fiscal year. Credit quality has improved and it now appears that the market is returning to a more stable environment. In order to supplement the business activities of Dao Heng Finance Limited, it stepped up its involvement in the private car financing market during the past year with considerable success.

## Regional Banking

DHBG maintains one branch and four offices in China, a branch in Macau and an office in Taipei. New business activity however continues to be subdued as a result of the present economic environment. In London, the West End branch has been re-located to a more prominent site in Chinatown to serve customers there better, and DHBG is in the process of restructuring its U.K. based operations to better enable us to expand its business activities there, particularly in treasury related products and market operations.

DHBG's 60 percent owned subsidiary in the Philippines, Dao Heng Bank, Inc. ("DHBI"), completed its fourth year of operations in January 2000. To take advantage of its much larger market footprint and strong domestic customer base, DHBG has agreed to merge DHBI with Banco de Oro Universal Bank ("BDO") through a share swap arrangement where Dao Heng Bank Limited, a wholly-owned subsidiary of DHBG, will acquire a minority holding of shares in BDO. BDO is the strategic financial arm of the prominent SM



**Dao Heng** was named as the second best bank in Asia by Asiamoney and was chosen as a constituent stock of Hang Seng Index.

It also actively participated in various pioneering deals in Hong Kong.

## Dao Heng to launch \$1b tranche MBS paper set for debut

By Ada Ng

DAO Heng Bank will launch the first \$1 billion tranche of the Hong Kong Mortgage Corp's (HKMC) \$4 billion mortgage-backed securities (MBS) issue on Monday, according to HKMC senior vice-president Patrick Lam, today.

Mr Lam said the issue will be divided into four tranches, each with a different mortgage pool carrying different maturities.

He said the remaining \$3 billion of the 1996 issuance programme will be launched by other participating banks.

Mr Lam said the bank is one of the ones, across banks in terms of being part of HKMC's MBS issue programme.

Mr Lam said the bank has been MBS in Hong Kong, doing so since 1994.

"MBS, which has a three per cent risk rating, is a good way for the bank to raise capital," Mr Lam said.

The bank's risk rating will be reduced when it launches the

MBS issue, HKMC promises to make good, says its senior vice-president.

HKMC will charge a guarantee fee for the transaction.

Mr Lam said that HKMC is actively registering its prospectus and the underwriting.

A signing ceremony for the Dao Heng bond issue will be held on Friday, he added.

Mr Lam said that under a pilot scheme, the HKMC will purchase mortgage loans from Dao Heng Bank and transfer them into a special purpose company.

The special purpose company will issue MBS backed by Dao Heng's mortgage loans to HKMC for a long-term payment of principal and interest.

Dao Heng is free to invest the proceeds in, with the exception of other investments.

Dao Heng has now made the move from a professional investor in the future, he said.

HKMC's senior vice-president, Philip Li said last Friday the HKMC was in talks with a couple of banks about launching another \$4 billion MBS issue before the end of the year.

## HSI adds 3 firms to index

HSI Services, compiler of Hong Kong's blue chip Hang Seng Index, said yesterday it will add Dao Heng Bank Group, Johnson Electric, and Smartone Telecommunications to the index, effective December 6.

Removed from the index were Guangdong Investment, Hopewell Holdings and Hongkong and Shanghai Hotels.

HSI Services said in a statement that the changes were made following its quarterly review of market data as of September 30, 1999.

Following the changes, the Hang Seng Index constituents were expected to account for about 80 per cent of the total market capitalization of the index.



發10億美元票據分散資金來源  
道亨推全面網上銀行

<p>本公司之主要業務，係經營各項銀行業務，包括存款、放款、匯兌、信託、保險、證券、及各項金融服務。本公司之主要資產，係各項放款及投資。本公司之主要負債，係各項存款及借款。本公司之主要收入，係各項利息收入及手續費。本公司之主要支出，係各項利息支出及行政費用。本公司之主要風險，係信用風險、利率風險、及流動性風險。本公司之主要目標，係為股東創造長期價值，並為客戶提供優質金融服務。</p>	<p>本公司之主要業務，係經營各項銀行業務，包括存款、放款、匯兌、信託、保險、證券、及各項金融服務。本公司之主要資產，係各項放款及投資。本公司之主要負債，係各項存款及借款。本公司之主要收入，係各項利息收入及手續費。本公司之主要支出，係各項利息支出及行政費用。本公司之主要風險，係信用風險、利率風險、及流動性風險。本公司之主要目標，係為股東創造長期價值，並為客戶提供優質金融服務。</p>
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# Dao Heng switches loans for bonds

Swap agreement with HKMC to bring positive returns for bank through interest and administrative fees

### RUND RAISING

#### Loan Issuance

Dao Heng Bank has swapped HKMC's \$1 billion mortgage loans in return for interest-bearing bonds issued by the Hong Kong Mortgage Corp (HKMC).

The pioneering swap agreement, announced yesterday, will generate net positive returns to the bank from a combination of an arbitrage interest margin attached to the three-year bonds, together with a fee for continued administration of the securities.

obligation to make general repayments, together with its capital charges, and hence boost returns on assets.

For HKMC, the deal is the first time under a swap programme designed to supplement its programme of outright purchases of bank mortgages.

Since the HKMC swapped its \$1 billion mortgage loans for \$1 billion bonds, the bank's yield in arrears was done while not disclosed, an HKMC spokesman said yesterday.

The bank was joined by

were offered at a fixed rate of interest of 7.7 per cent, having moved from 7.5 per cent.

The swap agreement with Dao Heng is for a three-year term - close to the typically effective life of a mortgage loan of between four and five years - said the HKMC's chief executive officer, Peter Ping Siu-tung.

Mr Ping said after reviewing for an additional administration fee, which HKMC would pay Dao Heng, he returned the bank from the swap agreement and received the interest it had earned from the mortgages.

mortgage rates have come down from 8.5 per cent to around 7.5 per cent, and this is close to the yield of HKMC bonds of 7.7 per cent, he said.

This convergence had made a swap arrangement attractive, explained Mr Ping, because in addition to the interest coupon attached to the bond, HKMC would pay a fee to the bank for making, selling, and monthly mortgage payments, and administering the loan portfolio.

"These two incomes, when added together, are higher than the interest earned on the mortgage

The HKMC is a

financial corporation

by the government

in Hong Kong

and is a member

of the Hong Kong

Financial Services

Authority.

The bank is a

public company

listed on the

Stock Exchange

of Hong Kong.

The bank is a

member of the

Association of

Bankers in Hong

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德昌道亨數碼通將列入恒指  
盈富基金須購入料需求大增

Asia's top 15 banks		
Country	Bank	Points
Hong Kong	Hang Seng Bank	499
Hong Kong	Dao Heng Bank	493
Singapore	United Overseas Bank	467
Australia	National Australia Bank	459
Taiwan	Bank of Taiwan	459
Hong Kong	HSBC	458
Australia	Westpac	455
Singapore	OCBC	447
Taiwan	Bank Sincpac	437
Singapore	Keppel TatLee Bank	436
The Philippines	Equitable Bank	434
Australia	ANZ	433



Group. It has a strong foothold in the retail market with over 108 branches. It is a strong and forward-looking bank with a customer-focused and technology-enabled strategy similar to that of Dao Heng Bank. Linking up with BDO as a strong local partner will materially strengthen our competitive position in the Philippines, providing wider access for our extensive range of financial products and services.

## Dao Heng Markets

DHBG's treasury related activities under Dao Heng Markets ("DHM") have achieved satisfactory results during the year. DHM is one of the most active market makers in Hong Kong Dollar instruments and has successfully launched the "Dao Heng Government Bonds Master Index". This new Index has rapidly become the benchmark for measuring performance in Hong Kong Exchange Fund fixed income securities. DHM also continues to be one of the largest arrangers and issuers of Hong Kong Dollar denominated debt instruments.

DHM has taken initiatives to expand its treasury-related business overseas. During the year, the trading operation of the Hong Kong Dollar desk in London was established. Further expansion in DHM's overseas treasury business is underway including the establishment of an office in London. DHM also arranged the Bank's participation in the pioneering Guaranteed Mortgage-Backed Pass-Through Securitisation Program of The Hong Kong Mortgage Corporation Limited.

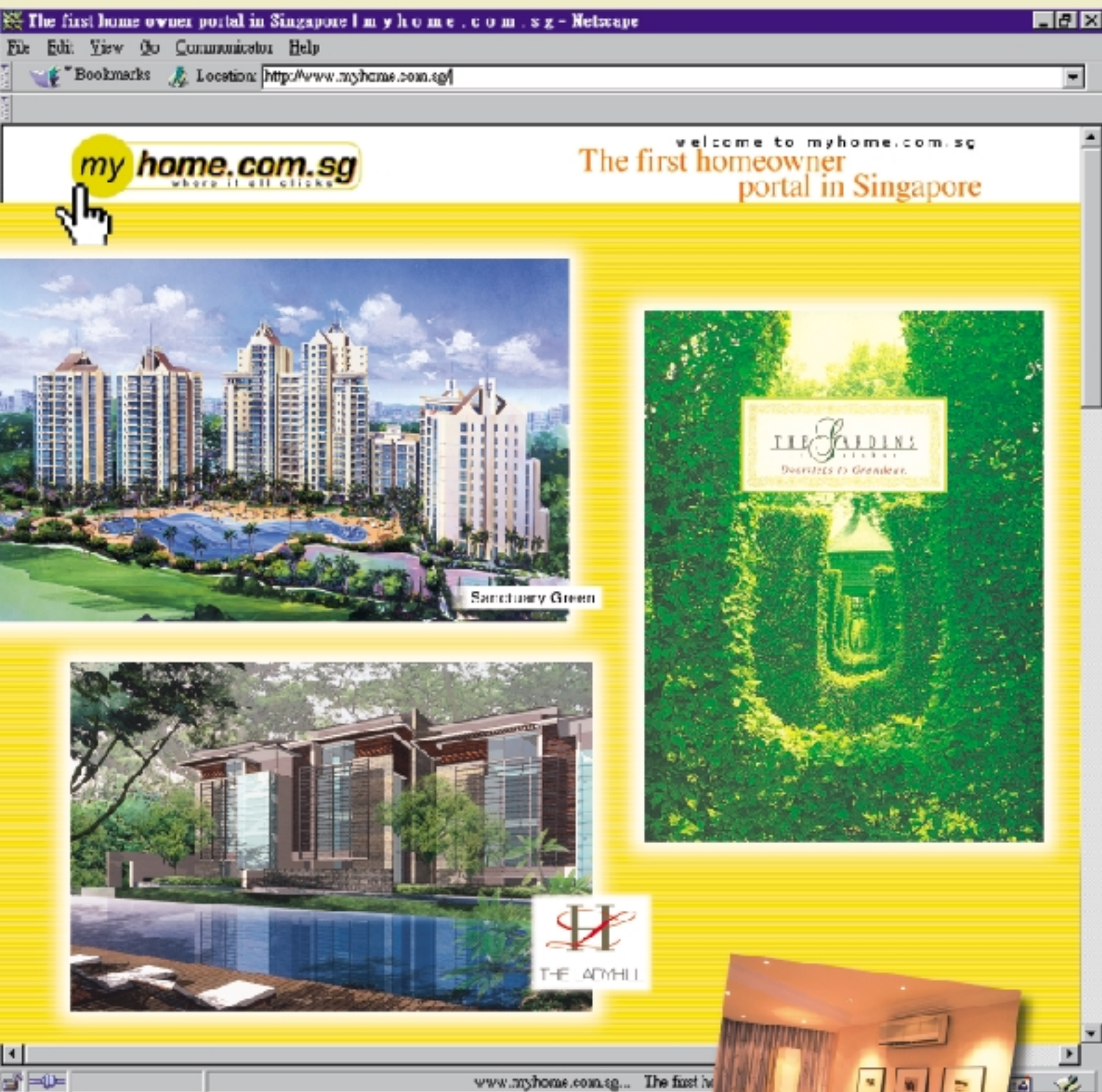


*Dao Heng Bank signed a landmark agreement with the Hong Kong Mortgage Corporation Ltd for the inaugural issue of the Guaranteed Mortgage-Backed Securities Programme in October 1999.*



*Dao Heng Bank signed the pioneering asset-swap agreement with the Hong Kong Mortgage Corporation Ltd.*





*First Capital Corporation Ltd has established itself as a major property developer in Singapore.*



## **FIRST CAPITAL CORPORATION LTD (“FCC”) – 54.28% OWNED BY THE GROUP**

For the year ended 30th June, 2000, FCC reported a profit after tax and minority interest of S\$55 million, a turnaround from a loss of S\$179 million for the previous financial year. This is attributable mainly to gains from the sale of a subsidiary which owned the Century Square Shopping Mall, investment dealing activities and write-back in provisions for earlier foreseeable losses on development projects.

FCC's investment in Benchmark Group PLC, a specialist Central London property investment development company listed on the London Stock Exchange, continues to perform well and made a contribution before tax of S\$34 million which includes revaluation surpluses arising from disposal of investment properties during the year.

Despite the lacklustre property market in Singapore, FCC sold 153 apartments in the Aquarius By The Park and 161 apartments in Sanctuary Green in the financial year under review. FCC will continue to focus on the sale of these leasehold projects and others such as The Gardens at Bishan.

During the financial year, FCC acquired a freehold 12,323 square metre residential site at Paya Lebar Road and a 40% stake in a prime residential site in Cuscaden Walk in the prime District 9.

As provisions were made for FCC group's overseas investments, FCC group's associates turned in a loss before tax of S\$24.8 million.

During the year under review, FCC has initiated myhome.com, an information portal for property related business, in association with another reputable property developer in Singapore.

## **imGO LIMITED (“imGO”) – FORMERLY GUOCO LAND LIMITED – 17.61% OWNED BY GUOCO GROUP LIMITED AND 6.64% BY FCC**

imGO reported a consolidated net loss after taxation of HK\$457 million for the year under review. The loss was mainly attributable to deficits from revaluation of investment properties of HK\$185 million and provision for interests in jointly controlled entities of HK\$270 million.

Pursuant to the Main Subscription Agreement and the Hutchison Subscription Agreement dated 25th March, 2000, the new incoming investors comprising Investor AB, Ericsson and Hutchison have acquired a controlling stake in imGO which will focus on opportunities in the wireless sector leveraging the combined industry knowledge and expertise of the new investors. The Group's interests in imGO were diluted from 73% to 24.25%.



In accordance with the Main Subscription Agreement, the Group had acquired from imGO a 50% stake in a development property project in Tsim Sha Tsui and a 25% interest in a residential project in Tai Hang Road under two JV Sale Agreements for an aggregate consideration of HK\$112 million. The acquisition of the Tsim Sha Tsui project has been approved by the Hong Kong Department of Lands while similar regulatory approval is pending for the Tai Hang Road property.

### **GUOCO PROPERTIES LIMITED (“GPL”)**

#### **- 55% OWNED BY GUOCO GROUP LIMITED AND 45% BY FCC**

GPL has a 75% interest in Corporate Square, a 17-storey office development in Beijing. Approximately 14% of the office space in Corporate Square had been sold and about 60% of the office areas had been leased out.

### **GUOCO HOLDINGS (PHILIPPINES), INC. (“GHPI”) – 36.61% OWNED BY THE GROUP**

GHPI reported substantial losses during the year mainly due to high investment losses and financial charges. Although GHPI continued to face difficult operating conditions during the period, exacerbated by the currently weak economic and market conditions in the Philippines, tangible progress has been achieved for its major initiatives to improve its financial position through extensive cost control, rightsizing programs for its operating subsidiaries and divesting of non-core assets. GHPI and its operating subsidiaries are reviewing their financial restructuring plans in light of a realistic appraisal of anticipated market conditions.

Dao Heng Bank Limited Hong Kong has signed a conditional agreement with Banco de Oro Universal Bank (“BDO”) in September 2000 to merge its 60% interest in Dao Heng Bank Inc. (“DHBI”) with BDO. Whilst we believe it would be advantageous for the merger of DHBI’s operations in the Philippines with BDO, a strong and progressive local bank with a customer-focused and technology-enabled strategy, GHPI has taken advantage of this opportunity to realise its 40% stake in DHBI for cash to reduce its borrowings.

The industry-wide problems confronting Pepsi Cola Products Philippines, Inc. (“PCPPI”) last year have abated. The decline in sugar prices, a price increase and the support extended by PepsiCo Inc. have stabilized operations, allowing the company to generate a positive cash flow. The management of PCPPI has undertaken significant measures to achieve material productivity enhancement through the recently launched entrepreneur distribution system and third party systems for warehousing and trucking. Completion of PCPPI restructuring plan within the next 18 months is expected to transform it into an efficient and sustainable operation going forward.



*Dao Heng Securities Limited offers DHS On-line share trading services to clients and has participated in several major underwriting and financial advisory assignments.*



## HONG LEONG CREDIT BERHAD (“HLC”)

### – 20.87% OWNED BY THE GROUP

HLC reported a consolidated net profit of RM276 million, representing an increase of 376% over the previous year's net profit of RM58 million. Except for the property division, all other divisions in HLC reported higher profits.

Loan to deposit ratio of Hong Leong Bank strengthened as gross loans grew 7% while customer deposits grew 15%. Profitability has improved due to better interest margins and a move to non-interest related income.

HLC's stockbroking division recorded a profit before tax of RM65.3 million as compared to a loss of RM88.8 million for the last financial year. HLG Capital's market share has improved from 2.3% in 1999 to 2.9% in 2000 as a result of a shift of focus to retail business.

The construction arm and property development arm of HLC managed to maintain its profitability but the property division turned in an overall pre-tax loss of RM88 million as a result of exceptional write down of its hotel assets to market value.

The insurance division recorded a profit before tax of RM89.3 million with a 14% increase in combined net premium income. It is expected to continue its profit trends as improving car sales will spur the growth of the industry as motor is a dormant class of business.



*Live Life knowing everything's well taken care of by Hong Kong Assurance.*



*Hong Leong Bank launched its new Classic and Gold American Express credit card.*

## OTHER FINANCIAL SERVICES

Dao Heng Securities Limited (“DHS”) performed satisfactorily during the year and was one of the pilot groups of online brokers that has offered an eIPO service for the recent MTRC issue to its Internet trading customers. DHS will be among the first companies to participate in the Automated Matching System 3 (“AMS/3”) to be launched by the Hong Kong Stock Exchange.



您準備好未？

Dao Heng Fund Management

*in the marketing of the Mandatory*

### *Provident Fund Scheme.*

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道亨 DaoHeng

一切 EASY!

道亨

## 個人保險系列

生活有保障 一家樂洋洋

## 家居保險

旅遊保險

醫續保險

全年旅遊保險

## 意外保險

**住院現金保險**

渣打銀行  
海外匯兌銀行  
渣打銀行有限公司

Dao Heng Insurance Direct  
**2961 2266**



*The personal line business of  
Dao Heng Insurance Limited  
was well received.*



Anticipating a structural change in Hong Kong's property insurance sector, Dao Heng Insurance Co., Limited ("DHI") has collaborated with DHBG to create a new core business in personal lines insurance. This initiative, which has been branded as DaoHeng Direct, materially benefits from the Group's Customer Relationship Management System and its state of the art Call Centre. This initiative's excellent results confirm DHI's expectation that this new line of business will continue to grow into a substantial profitable insurance segment and customer acquisition vehicle. DHI anticipates further growth from both the new retail and commercial accounts secured through MPF program and its Internet offering which will continue to be refined and enhanced.

Dao Heng Fund Management Limited ("DHFM") has been partnering with DHBG to secure a meaningful market share in the competitive Mandatory Provident Fund Scheme market. The Monthly Savings Plan achieved good results with regular inflow of new accounts. DHFM is addressing the wealth management needs of the Group's customers with several major initiatives. It has been establishing the necessary systems and relationships to introduce "Best of Breed" unit trusts and mutual funds from Friends Ivory & Sime Asia Limited, the Group's 50% joint venture company, and other world class asset managers. Additionally, it is establishing a substantial infrastructure to provide first class cost efficient customer service through an IVR supported Call Centre and the Internet.

### HUMAN RESOURCE COMMITMENT

The Group considers its staff as the most important asset. The Group employs approximately 3,000 people of whom approximately 2,700 are based in Hong Kong. The Group is committed to provide its valued staff with a professional career enhancing environment. This year the Group has introduced a professional personal assessment program to objectively guided career planning. With these professional insight, internal and external training and development programmes are provided on a year round basis to our employees to improve their skill and personal development.

An annual sales conference was held on 25th June, 2000 whereby the mission and business direction of the Group was

communicated effectively to staff members. GuocoPost, the Group's in-house magazine, continues to serve as an effective tool of communication to the Group's employees and other stakeholders.



*The Group's in-house magazine-GuocoPost*



*Staff members and senior management participate enthusiastically at the sales conference 2000.*

## COMMUNITY SERVICES

Over the years, the Group has always strongly supported the fund-raising activities organized by various charitable organizations, such as Oxfam, The Community Chest, Tung Wah Group of Hospitals and Pok Oi Hospital. The Group was honoured with the highest Donation Award (commerce category) by the Community Chest in recognition of its participation in the Walks for Millions.



*The Group has always been a strong supporter of the Community Chest's Walks for Million.*

## FINANCIAL COMMENTARY

### Turnover

Overall turnover decreased by 13.1% mainly due to decrease in property development and investment sector (a reduction of 64.7%) as a result of lower sales recognition for residential properties in Singapore. Turnover for the banking and finance sectors decreased by 1.6% while stock broking, treasury and investment management activities and insurance business improved by 164.8%, 44.3% and 3.7% respectively.

### Borrowings

During the year, the Group maintained most of its borrowings on an unsecured basis. As at 30th June, 2000, unsecured indebtedness comprised approximately 70% of the total borrowings.

The Group's bank loans, overdrafts and other borrowings were repayable as follows:

	<b>Bank loans</b>	<b>Other borrowings</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
On demand or within 1 year	1,227,027	927,556	2,154,583
After 1 year but within 2 years	1,186,436	1,403,190	2,589,626
After 2 years but within 5 years	4,526,979	1,101,450	5,628,429
After 5 years	—	2,039,459	2,039,459
	<u>5,713,415</u>	<u>4,544,099</u>	<u>10,257,514</u>
	<u>6,940,442</u>	<u>5,471,655</u>	<u>12,412,097</u>

## Capital Commitments

As at 30th June, 2000, the Group had outstanding capital commitments as follows:

	2000 HK\$'000
Authorised and contracted for	54,958
Authorised but not contracted for	39,851
	<hr/>
	94,809
	<hr/> <hr/>

These commitments primarily represented capital expenditure for branch renovation and IT equipment of banking subsidiaries.

## Capital and Finance

The Group's consolidated shareholders' funds as at 30th June, 2000, after reflecting the current year retained profits and adjusting for the major items set out below, amounted to HK\$11,350 million, representing a net asset value of HK\$26.6 per share. The major adjustments are as follows:

1. Revaluation surplus of investment properties of HK\$340 million of an associate;
2. Realisation of property revaluation surplus on deemed disposal of a subsidiary's property portfolio of HK\$51 million and a deficit of HK\$429 million for disposal of investment property;
3. Capital reserves arising on share investment in subsidiaries of HK\$101 million; and
4. Exchange losses on translation of net investments in subsidiaries and associates of HK\$175 million.

Dao Heng Bank Limited's consolidated capital adequacy ratio as at 30th June, 2000 was 22.62% (1999 : 22.07%) of which Tier I ratio was 17.82% (1999 : 16.99%).

## Interest rate and foreign exchange exposures

The Group practises prudent financial management and control over interest rate and foreign currency exposures. Appropriate financial instruments, including interest rate and currency swaps will be used to manage our interest rate and foreign currency exposures. In view of the recent volatility of the currency markets, it is incumbent upon management to ensure the close and active monitoring of our foreign currency exposures.



# Ten Year Summary

US\$'000

Years	Total liabilities	Current, deposit and other accounts (Note 1)	Total assets	Shareholders' funds	Net profit after tax (Note 2)	Dividend
1991	2,597,413	2,393,002	2,969,663	277,141	32,150	14,788
1992	3,470,827	3,104,031	3,993,219	412,590	48,136	19,886
1993	4,316,623	3,893,428	5,087,021	586,617	74,067	27,809
1994	8,446,938	7,916,721	9,872,282	932,440	187,683	34,381
1995	10,666,819	9,658,746	12,660,441	1,276,683	210,938	40,613
1996	13,274,327	12,179,696	15,664,605	1,516,400	244,016	43,000
1997	16,548,548	14,544,646	19,428,627	1,753,233	277,268	46,828
1998	16,157,183	14,024,926	18,565,159	1,419,147	49,448	38,541
1999	16,956,281	15,279,660	19,338,881	1,403,985	78,928	33,005
2000	18,044,360	16,373,392	20,295,766	1,455,998	96,526	38,335

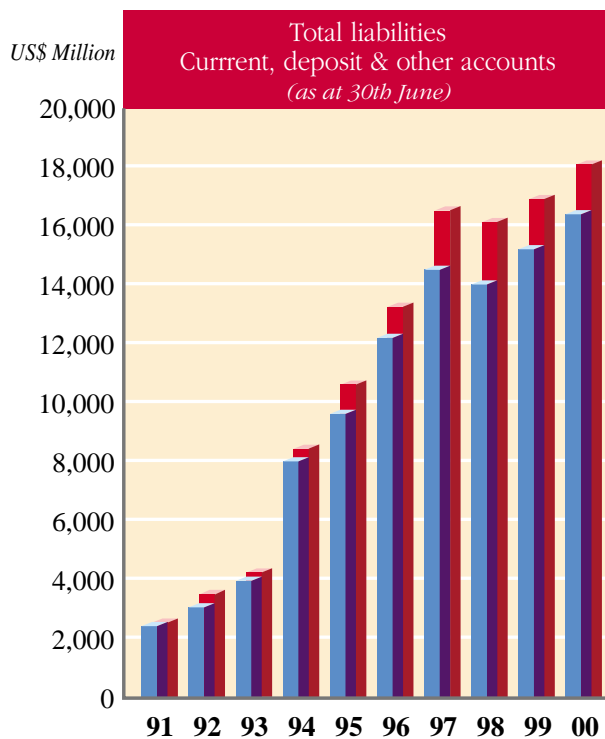
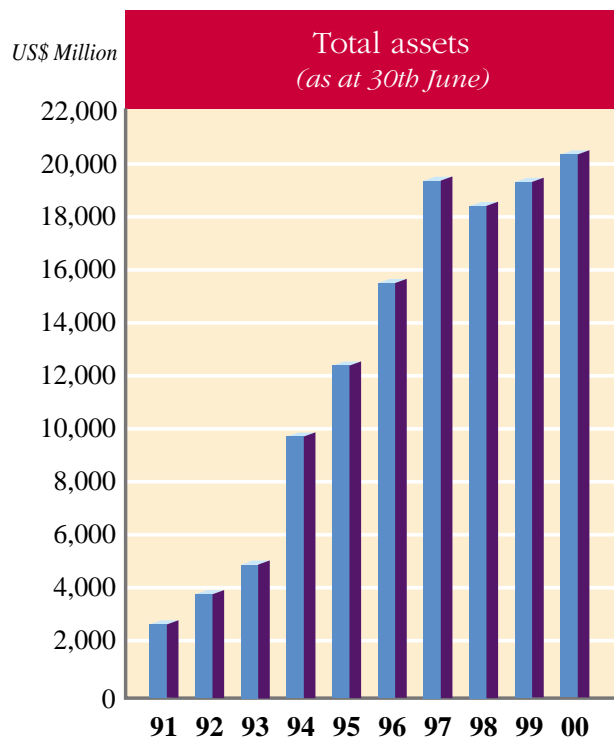
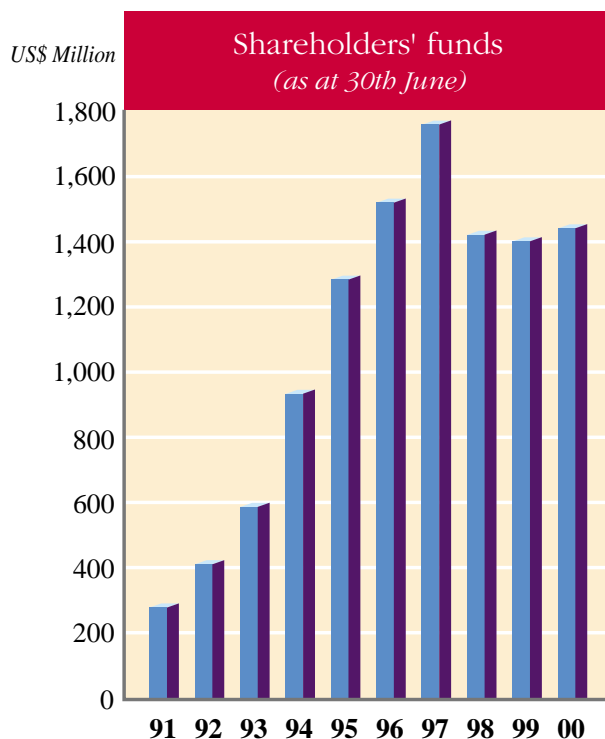
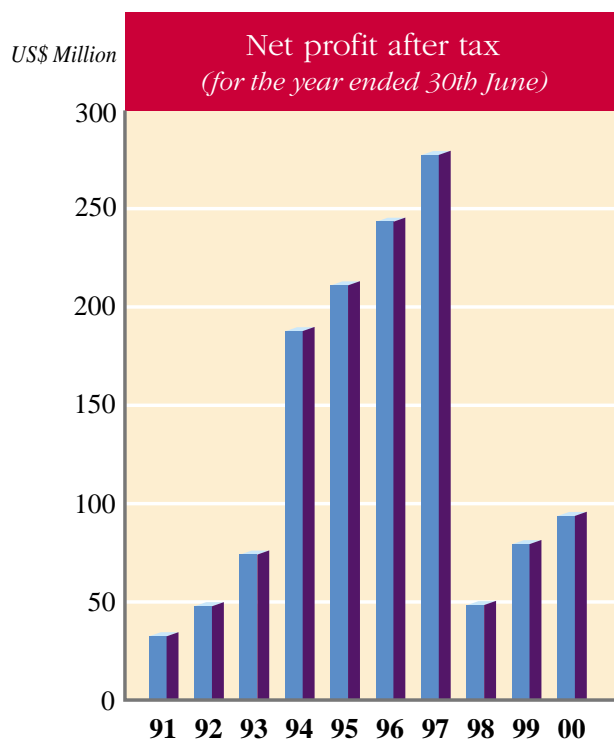
HK\$'000

Years	Total liabilities	Current, deposit and other accounts (Note 1)	Total assets	Shareholders' funds	Net profit after tax (Note 2)	Dividend
1991	20,115,664	18,532,604	22,998,553	2,146,319	248,986	114,840
1992	26,838,170	24,001,920	30,877,567	3,190,353	372,211	153,824
1993	33,443,038	30,164,334	39,411,696	4,544,815	573,833	215,298
1994	65,290,608	61,192,295	76,307,804	7,207,295	1,450,693	265,728
1995	82,545,179	74,744,206	97,972,823	9,879,612	1,632,345	314,212
1996	102,763,202	94,289,117	121,267,540	11,739,211	1,889,050	332,772
1997	128,209,879	112,684,645	150,523,285	13,583,168	2,148,134	362,637
1998	125,193,932	108,672,139	143,852,134	10,996,260	383,148	298,642
1999	131,538,351	118,531,963	150,021,371	10,891,414	612,283	255,979
2000	140,664,810	127,638,779	158,215,643	11,350,230	752,468	298,642

Notes:

- The figures for 1991 to 1994 include the former inner reserves of the banking subsidiaries which are restated to general reserve and include under shareholders' funds for the 1995 to 2000 figures. The figures from 1991 to 1999 have been reclassified or restated pursuant to the adoption of the Statement of Standard Accounting Practice 2.101 (revised) "Presentation of financial statements" as explained in Note 39 on the accounts.
- The figures for 1994 to 2000 were before transfer to general reserve by banking subsidiaries while those for 1991 to 1993 were after such transfers.

# Ten Year Summary



■ Total liabilities  
■ Current, deposit and other accounts

<b>Report of the Directors</b>	<b>31</b>
<b>Auditors' Report</b>	<b>42</b>
<b>Consolidated Profit and Loss Account</b>	<b>43</b>
<b>Consolidated Statement of Recognised Gains and Losses</b>	<b>44</b>
<b>Consolidated Balance Sheet</b>	<b>45</b>
<b>Balance Sheet</b>	<b>47</b>
<b>Consolidated Cash Flow Statement</b>	<b>48</b>

## Notes on the Accounts

1	Basis of presentation	50
2	Principal accounting policies	50
3	Turnover	57
4	Income	58
5	Operating profit before finance cost	58
6	Finance cost for non-banking operations	59
7	Taxation	59
8	Directors' remuneration	60
9	Emoluments of the five highest paid individuals	61
10	Loans to officers	61
11	Profit attributable to shareholders	61
12	Dividends	62
13	Earnings per share	62
14	Investment properties	62
15	Fixed assets	63
16	Interest in subsidiaries	64
17	Interest in associates	70
18	Interest in jointly controlled entities	71
19	Held-to-maturity securities and investment securities	72
20	Development properties	73
21	Properties held for resale	74
22	Advance to customers less provisions	74
23	Other assets	76
24	Other investments in securities	76
25	Cash and short term funds	77
26	Other payables and provisions	77
27	Current portion of bank loans and other borrowings	78
28	Non-current portion of bank loans and other borrowings	78
29	Deferred taxation	80
30	Minority interests	80
31	Share capital	81
32	Reserves	81
33	Notes to the consolidated cash flow statement	84
34	Staff retirement scheme	87
35	Post balance sheet events	87
36	Contingent liabilities	87
37	Commitments	88
38	Material related party transactions	89
39	Comparative figures	91
40	Hong Kong Dollar amounts	91

<b>List of Properties</b>	<b>92</b>
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# Report of the Directors

The directors have pleasure in presenting their report together with the audited statement of accounts for the year ended 30th June, 2000.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries which materially affected the results or assets of the Group include commercial banking, retail banking and financing; property development, investment and management; stock, commodity and bullion broking; insurance and fund management.

The analysis of the principal activities and geographical locations of operations of the Company and its subsidiaries during the financial year is as follows:-

### (a) By principal activities:

	Turnover US\$'000	Operating profit US\$'000
Treasury and investment management	22,973	(3,049)
Property development and investment	112,895	19,351
Stockbroking	16,230	9,635
Insurance	20,901	6,601
	<hr/>	<hr/>
	172,999	32,538
Less : Finance cost for non-banking operations		(51,222)
		<hr/>
		(18,684)
Banking and financing	1,221,398	256,123
	<hr/>	<hr/>
	1,394,397	237,439
	<hr/> <hr/>	<hr/> <hr/>

### (b) By geographical location of operations:

	Turnover Percentage	Operating profit Percentage
Hong Kong	87%	99%
Asia (excluding Hong Kong)	11%	0%
Others	2%	1%
	<hr/>	<hr/>
	100%	100%
	<hr/> <hr/>	<hr/> <hr/>

## ACCOUNTS

The consolidated net profit of the Group for the year ended 30th June, 2000 and the state of the Company's and the Group's affairs at that date are set out in the accounts on pages 43 to 91.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers and suppliers of the Group accounted for less than 30% of the total turnover and purchases of the Group respectively.



## CHARITABLE DONATIONS

Donations made by the Group during the year amounted to US\$161,000 (1999 : US\$176,000).

## DIVIDENDS

An interim dividend of HK\$0.15 (1999 : HK\$0.10) per share totalling HK\$63,995,000 (1999 : HK\$42,663,000) was paid on 17th April, 2000. The directors are recommending payment of a final dividend in respect of the year ended 30th June, 2000 of HK\$0.55 (1999 : HK\$0.50) per share totalling HK\$234,647,000 (1999 : HK\$213,316,000).

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 14th November, 2000 to 20th November, 2000, both days inclusive, during which period no share transfers will be registered.

To qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong not later than 4:00 p.m. on 13th November, 2000.

## SHARE CAPITAL, OPTIONS AND WARRANTS

The Company did not issue any new shares during the year. Details of the share capital of the Company are shown in Note 31 on the accounts.

Pursuant to an executive share option scheme adopted by the Company on 30th July, 1991, the directors of the Company may, subject to such conditions as they may think fit, offer to grant options to the eligible employees of the Group to subscribe at such price for such number of shares in the Company as they may determine. During the year, options in respect of a total of 9,800,000 shares in the Company were granted. Such options are exercisable at the subscription price of HK\$20.33 per share during the period from 12th November, 1999 to 12th February, 2004. During the year, none of these options were exercised.

### Dao Heng Bank Group Limited ("DHBG", a 71.5% subsidiary of the Company)

During the year, as a result of the exercises by certain grantees of options granted under the share option scheme of DHBG, DHBG allotted and issued a total of 1,435,000 shares of US\$0.50 each in the capital of DHBG at the subscription price of HK\$21.82 per share.

### First Capital Corporation Ltd ("FCC", a 54.3% subsidiary of the Company)

On 7th July, 1999, FCC issued 20 million warrants, in conjunction with a S\$50 million unsecured transferable loan facility and an issue of S\$50 million unsecured fixed rate bonds due in 2002. Each warrant will entitle its holder to subscribe for 1 new ordinary share of S\$1.00 each in the share capital of FCC between 7th July, 2000 and 6th July, 2002 at an exercise price of S\$1.93 or S\$1.93 plus 50% of the difference between the average closing share price of FCC for the 5 market days immediately preceding the exercise of the warrant and S\$2.2195, whichever is higher.

During the financial year, 7,461,050 non-redeemable convertible cumulative preference shares ("NCCPS") of S\$0.01 each in the capital of FCC were converted into 7,461,050 issued ordinary shares of FCC. The NCCPS were issued on 9th February, 1999 which carry the right to a cumulative preference dividend of 7% per annum and the right to convert into ordinary shares of FCC for 5 years from the date of issue based on the conversion ratio of one ordinary share for every one NCCPS held.

## SHARE CAPITAL, OPTIONS AND WARRANTS (CONT'D)

### First Capital Corporation Ltd ("FCC", a 54.3% subsidiary of the Company) (Cont'd)

On 8th July, 1999, FCC redeemed its 200,000,000 redeemable cumulative preference shares ("RCPS") at S\$1.00 per RCPS.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## FIXED ASSETS

Movements in fixed assets during the year are set out in Note 15 on the accounts.

## RESERVES

Movements in the reserves of the Company and the Group during the year are set out in Note 32 on the accounts.

## SUBSIDIARIES

Particulars of the principal subsidiaries of the Company are set out in Note 16 on the accounts.

## DIRECTORS

The directors during the financial year were:

- Quek Leng Chan - *Chairman*
- Kwek Leng Hai - *President, CEO*
- \*\* Sat Pal Khattar
- \* Kwek Leng San
- \* Mishal Abdulah Abdulaziz Al Masad
- Randolph Gordon Sullivan
- Tan Lim Heng
- \*\* Harry Richard Wilkinson
- \* Jamal Al-Babtain
- \* *Non-executive director*
- \*\* *Independent non-executive director*

In accordance with Clauses 82 and 83 of the Company's Bye-Laws, Messrs. Kwek Leng San and Harry Richard Wilkinson will retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any director proposed for re-election at the forthcoming annual general meeting.

The non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation at annual general meetings in accordance with the Bye-Laws of the Company.

## DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2000, the interests of the directors in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

### Interests in the shares of the Company

Director	Number of shares				Total Interests
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Quek Leng Chan	220,000	–	135,005,740*	–	135,225,740
Kwek Leng Hai	1,320,000	–	–	–	1,320,000
Sat Pal Khattar	582,330	–	–	–	582,330
Kwek Leng San	143,200	–	–	–	143,200
Randolph Gordon Sullivan	11,000	–	–	–	11,000
Tan Lim Heng	50,000	–	–	–	50,000

\* These shares represented the interest of Guoline Overseas Limited (133,817,740 shares) and another company (1,188,000 shares) with respect to which Mr. Quek Leng Chan had a corporate interest pursuant to the SDI Ordinance.

### Interests in share options in the Company

Director	Number of share options
Quek Leng Chan	3,000,000
Kwek Leng Hai	3,000,000
Sat Pal Khattar	300,000
Kwek Leng San	300,000
Randolph Gordon Sullivan	100,000
Tan Lim Heng	1,000,000
Harry Richard Wilkinson	300,000

On 6th December, 1999, the directors were granted share options pursuant to the Company's Executive Share Option Scheme adopted on 30th July, 1991. Such share options are exercisable at the subscription price of HK\$20.33 during the period from 12th November, 1999 to 12th February, 2004. During the financial year, none of the directors exercised any share options in the Company.

## DIRECTORS' INTERESTS IN SECURITIES (CONT'D)

### Interests in the securities of associated corporations

Director	Name of Company	Personal Interests	Family Interests	Number of shares		Other Interests	Total Interests
				Corporate Interests			
Quek Leng Chan	Dao Heng Bank Group Limited	11,000	–	496,854,664 (Note 1)		–	496,865,664
	imGO Limited	–	–	739,934,824 (Note 1)		–	739,934,824
	imGO Limited (Warrants)	–	–	122,254,870 (Note 1)		–	122,254,870
	First Capital Corporation Ltd	662,261	–	200,079,299 (Note 1)		–	200,741,560
	First Capital Corporation Ltd (NCCPS**)	53,833	–	34,483,489 (Note 1)		–	34,537,322
	Hong Leong Credit Berhad	3,218,000	–	337,165,645 (Note 2)		–	340,383,645
	Guoco Holdings (Philippines), Inc.	–	–	866,610,220 (Note 1)		–	866,610,220
Kwek Leng Hai	Dao Heng Bank Group Limited	66,000	–	–		–	66,000
	First Capital Corporation Ltd	1,180,261	–	–		–	1,180,261
	First Capital Corporation Ltd (NCCPS**)	53,833	–	–		–	53,833
	Hong Leong Credit Berhad	359,500	–	–		–	359,500
	Guoco Holdings (Philippines), Inc.	5,000,000	–	–		–	5,000,000
Sat Pal Khattar	Dao Heng Bank Group Limited	11,000	–	–		–	11,000
	First Capital Corporation Ltd	–	–	100,000		–	100,000
	First Capital Corporation Ltd (NCCPS**)	–	–	3,494,908		–	3,494,908
Kwek Leng San	Dao Heng Bank Group Limited	7,000	–	–		–	7,000
Randolph Gordon Sullivan	Dao Heng Bank Group Limited	50,000	–	–		–	50,000
Tan Lim Heng	imGO Limited	19,840,000	–	–		–	19,840,000
	Hong Leong Credit Berhad	117,000	–	–		–	117,000
Harry Richard Wilkinson	Dao Heng Bank Group Limited	5,000	–	–		–	5,000

#### Notes:

- These shares represented the interest of the Company with respect to which Mr. Quek Leng Chan had a corporate interest pursuant to the SDI Ordinance.
- These shares represented the interest of Guoco Group Limited and other companies to which Mr. Quek Leng Chan had a corporate interest pursuant to the SDI Ordinance.

\*\* NCCPS - Non-redeemable convertible cumulative preference shares

Certain directors hold qualifying shares in certain subsidiaries in trust for other subsidiaries of the Company.



## DIRECTORS' INTERESTS IN SECURITIES (CONT'D)

### Interests in share options in Dao Heng Bank Group Limited

Director	Number of share options
Quek Leng Chan	2,000,000
Kwek Leng Hai	4,000,000
Sat Pal Khattar	2,000,000
Kwek Leng San	300,000
Randolph Gordon Sullivan	2,000,000
Harry Richard Wilkinson	180,000

On 29th April, 1998, Dao Heng Bank Group Limited ("DHBG"), a subsidiary of the Company granted share options to the abovementioned directors who are also directors of DHBG, pursuant to the Share Option Scheme adopted on 22nd November, 1993. Such share options are exercisable at the subscription price of HK\$21.82 per share during the period from 15th April, 1998 to 15th July, 2002. During the period ended 30th June, 2000, Mr. Harry Richard Wilkinson exercised his option under the scheme to subscribe for 120,000 ordinary shares of DHBG.

### Interests in share options in Hong Leong Credit Berhad ("HLCB")

Mr. Quek Leng Chan was granted an option on 6th January, 2000 by HLCB to subscribe for 400,000 shares in HLCB at the subscription price of RM5.19 during the period from 24th December, 1999 to 23rd December, 2004. During the year, he did not exercise any option to acquire shares in HLCB.

Apart from the above, as at 30th June, 2000, there were no other interests or rights recorded in the register required to be kept under Section 29 of the SDI Ordinance.

## SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2000, those persons (other than the directors of the Company) having an interest of 10% or more in the Company's issued share capital as recorded in the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance or as otherwise known to the directors of the Company, were as follows:

Name	Number of shares held in the Company			Note
	Direct Interests	Deemed Interests	Total Interests	
Guoline Overseas Limited ("GOL")	133,817,740	–	133,817,740	
Government of Kuwait, Investment Authority				
Kuwait Investment Office	74,069,451	–	74,069,451	
Guoline Capital Assets Limited ("GCA")	–	133,817,740	133,817,740	1
Hong Leong Company (Malaysia) Berhad ("HLCM")	–	133,817,740	133,817,740	1
HL Holdings Sdn. Bhd.	–	133,817,740	133,817,740	2
Hong Leong Investment Holdings Pte Ltd	–	133,817,740	133,817,740	2
Kwek Holdings Pte Ltd	–	133,817,740	133,817,740	3

*Note:*

- GOL is a wholly-owned subsidiary of GCA which in turn is a wholly-owned subsidiary of HLCM. By virtue of Section 8 of the SDI Ordinance, both GCA and HLCM are deemed to have an interest in 133,817,740 shares held by GOL in the Company.
- HL Holdings Sdn. Bhd. and Hong Leong Investment Holdings Pte Ltd were deemed to be interested in 133,817,740 shares in the Company with respect to their interests in HLCM pursuant to Section 8 of the SDI Ordinance.
- Kwek Holdings Pte Ltd was deemed to be interested in 133,817,740 shares in the Company with respect to its interest in Hong Leong Investment Holdings Pte Ltd pursuant to Section 8 of the SDI Ordinance.

## BOARD AUDIT COMMITTEE

The Company established an Audit Committee of the Board of Directors with written terms of reference on 9th October, 1998. The Board Audit Committee comprises Messrs. Harry Richard Wilkinson, Sat Pal Khattar and Kwek Leng Hai.

The Board Audit Committee meets regularly to consider the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice adopted by the Company based on the guidelines set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## INTEREST CAPITALISED

Interest capitalised by the Group in respect of development properties during the year amounted to approximately US\$12.6 million (1999 : approximately US\$13.6 million).

## INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

### Provision of credit facility

1. On 3rd June, 1997, the Company provided a standby credit facility ("Facility") of up to HK\$350 million to imGO Limited ("imGO", formerly known as Guoco Land Limited which was a subsidiary of the Company prior to 29th May, 2000), pursuant to a facility letter from the Company and accepted by imGO, for the purpose of meeting imGO's working capital requirements from time to time and to support the development of imGO as the property development arm of the Group. The Facility was provided to imGO on terms that were better than normal commercial terms available to imGO, was unsecured, ranking pari passu with other unsecured borrowings and repayable to the Company on demand. All outstanding loans were repaid and the Facility was terminated on 29th May, 2000.

### Tenancy agreements

1. On 21st April, 1998, HL Bank, a branch of Hong Leong Bank Berhad ("HLBB") entered into a lease agreement with First Capital Land Pte Ltd ("FCL"), a wholly-owned subsidiary of First Capital Corporation Ltd ("FCC"), in respect of the renewal of the lease for property of units #B1-02, #01-02 and #02-02 at Tung Centre, 20 Collyer Quay, Singapore for a term of three years commencing 1st June, 1998 at a monthly rental of S\$107,728 inclusive of service charge and goods and service tax. The rental was based on the valuation of the then prevailing open market rental value of the property by an independent property consultant in Singapore. FCC is a subsidiary of the Company. HLBB is a subsidiary of Hong Leong Credit Berhad ("HLCB") which in turn is 20.8% owned by the Company. HLCB is a subsidiary of Hong Leong Company (Malaysia) Berhad ("HLCM") which is a substantial shareholder of the Company. Mr. Quek Leng Chan is a substantial shareholder of HLCM and a director of the Company, FCC, HLCB and HLBB. HLBB had on 1st August, 1999 surrendered unit #02-02 to FCC and paid a sum of S\$150,000 to FCL arising from the surrender.
2. Certain subsidiaries of the Group, namely, Dao Heng Securities Limited ("DHS"), Dao Heng Fund Management Limited ("DHFM") and Dao Heng Bank Limited ("DHB") as tenants entered into tenancy agreements with Supreme Goal Investments Limited ("SGIL"), W.C.H. Limited ("WCH") and Wanchai Property Investment Limited ("WPIL"), subsidiaries of imGO which was formerly a subsidiary of the Company, during the year as follows:-

## INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (CONT'D)

### Tenancy agreements (Cont'd)

Tenant	Landlord	Premises	Lease Term	Monthly Rental	Gross Floor Area (sq.ft.)
DHS	SGIL	Portion A of 12/F., The Center, 99 Queen's Road Central, Hong Kong	12/10/1998-11/10/2000 with option to renew for further two years	HK\$468,440	16,730
DHFM	SGIL	Portion B of 12/F., The Center, 99 Queen's Road Central, Hong Kong	12/10/1998-11/10/2000 with option to renew for further two years	HK\$195,384	6,978
DHB	WCH	33/F-35/F., Wu Chung House, 213 Queen's Road East, Hong Kong	15/1/1999-14/1/2001 with option to renew for further two years	HK\$1,105,110	73,674
DHB	WPIL	19/F., Overseas Trust Bank Building, 160 Gloucester Road, Hong Kong	1/2/1999-31/1/2001 with option to renew for further two years	HK\$110,160	7,344

### Option agreements

On 25th March, 2000, three put option agreements ("Option Agreements") were entered into by the Company in respect of which the Company had granted in favour of imGO the right ("Options") to require the Company to purchase all (but not part) of imGO's interests in each of the following property-owning companies at an aggregate consideration of about HK\$606,745,000 :-

Holder of the Property	Premises
(a) SGIL	12th and 15th Floors, The Center, 99 Queen's Road Central, Hong Kong
(b) WCH	33rd, 34th and 35th Floors, Wu Chung House, 213 Queen's Road East, Hong Kong
(c) WPIL	17th-19th, 22nd, 24th-27th Floors, Penthouse and Car Parks 9-14 on 2nd Floor, Overseas Trust Bank Building, 160 Gloucester Road, Hong Kong

The Options are exercisable during the period from 30th May, 2001 to 29th November, 2001.

## INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (CONT'D)

### Sale and purchase agreements

1. On 6th August, 1999, Guoco Investments (China) Limited ("GIC"), a wholly-owned subsidiary of the Company entered into two conditional sale of shares agreements in respect of the disposal of the company's entire interest in associated companies, representing as to 24.5% in Shenzhen O.Y.L. Electrical Co. Ltd. and as to 20%, 20% and 24.5% in Shanghai McQuay Air Conditioning Co. Ltd., McQuay Asia (Hong Kong) Limited and McQuay Air-conditioning Limited to O.Y.L. Industries Berhad ("OYLI") and O.Y.L. Overseas Limited ("OYLO") respectively. Both OYLI and OYLO are associates (as defined in the Listing Rules of Hong Kong) of Mr. Quek Leng Chan, a director and a substantial shareholder of the Company (full details of the transactions have been disclosed in last year's annual report). The transactions became unconditional and were completed on 15th June, 2000.
2. On 27th September, 1999, a conditional sale and purchase agreement ("Agreement") was entered into between SGIL and DHB whereby SGIL agreed to sell and DHB agreed to purchase the 16th, 17th and 18th Floors of The Center for a cash consideration of HK\$481,030,000. The consideration was determined with reference to the valuation of an independent valuer as at 30th June, 1999. The Agreement became unconditional and was completed on 29th October, 1999.
3. On 29th May, 2000, GL Holdings Limited, a wholly-owned subsidiary of the Company, entered into agreements ("Tai Po/Courtenay Sale Agreements") which were effected and completed by way of instruments of transfer, with imGO for the purchase by GL Holdings Limited of the entire issued share capital in Taipo Limited (which has a 30% interest in a property project situated at Tai Po Town Lot 97, New Territories) and Courtenay Enterprises Limited and the net amounts due to imGO by Taipo Limited and Courtenay Enterprises Limited at the consideration of HK\$1,514,000 and HK\$1 respectively.
4. Pursuant to the conditional agreement dated 25th March, 2000 ("Main Subscription Agreement"), on subscription of new shares in imGO by Investor AB and Ericsson Holding International B.V., GL Holdings Limited had on 5th September, 2000 entered into an agreement which was effected and completed by way of instrument of transfer with imGO for the purchase of the entire issued share capital in Scorewell Corporation (which has a 50% interest in a project for the development of the property situated at 24-26 Kimberley Road, 55-61 Carnarvon Road, 38-40 Kimberley Street, Tsimshatsui, Kowloon) and the net amount due to imGO by Scorewell Corporation at a consideration of HK\$5,000,000.
5. Pursuant to the Main Subscription Agreement, the Company agreed to purchase from imGO the entire issued share capital in Reunification Properties Limited (which has a 25% interest in a project for the development of the property situated at No.152 Tai Hang Road, Hong Kong) and the net amount due to imGO by Reunification Properties Limited at a consideration of HK\$107,507,000. The transaction will be effected and completed by way of instrument of transfer upon obtaining the necessary regulatory approval from the Lands Department of Hong Kong.



## INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (CONT'D)

### Service agreements

1. On 21st January, 1997, imGO entered into a service agreement ("Service Agreement") with Guoco Management Company Limited ("GMCL"), a wholly-owned subsidiary of the Company, for the provision of various management, administrative, financial, legal and other services to imGO and its subsidiaries on a cost reimbursement basis plus 10%. Either party may terminate the agreement by giving not less than three months' notice in writing. Pursuant to a variation agreement entered into between both parties on 29th May, 2000, the consideration for the services provided was fixed at HK\$100,000 per month and either party may terminate the Service Agreement after 30th September, 2000 by giving one month's notice.
2. Certain companies in the Group had entered into management services agreements, determinable by either party giving six months' notice, with Hong Leong Overseas (H.K.) Limited, a subsidiary of HLCM, for the provision of general management services to the companies by Hong Leong Overseas (H.K.) Limited. Messrs. Quek Leng Chan, Kwek Leng Hai and Kwek Leng San are directors interested in these contracts as shareholders of HLCM.
3. DHB entered into a services agreement in 1993 with GMCL for the provision of various management, administrative, financial and legal services to companies in the Group on a cost reimbursement basis. Either party may terminate the agreement by giving not less than three months' notice in writing.
4. On 27th January, 2000, a service agreement was entered into between DHB and Dao Heng Bank, Inc. ("DHBI") pursuant to which DHB agreed to engage the services of IT Systems Development Center ("IT Center") of DHBI on the actual and allocated expenses incurred by the IT Center plus a 50% mark-up on the top. The contract was retro-spectively effected in April 1998 and either party may terminate the agreement by giving not less than three months' notice in writing.

### Property management agreement

On 29th May, 2000, Dao Heng Property Management Limited, a wholly-owned subsidiary of the Company entered into three separate management agreements with imGO for the provision of various property management services to SGIL, WCH and WPIL at an aggregate fee of HK\$330,000 per month. The term of these agreements is for the period from 29th May, 2000 to the exercise of the Options or such earlier time where the owner's interest in its existing investment properties has been disposed of.

### Loan to subsidiaries and associated companies

As at 30th June, 2000, the Company and its 54.3% owned subsidiary, FCC had made interest free advances, for general funding purposes and on a pro rata basis, to Guoco Properties Limited ("GPL") (a subsidiary which is 55% owned by the Company and 45% owned by FCC) the aggregate amounts of US\$116.6 million and US\$95.4 million respectively.

As at 30th June, 2000, GPL had made interest free advances, for general funding purposes, in the sums of US\$4.5 million, US\$6.7 million, US\$12.1 million and US\$8.5 million to its 90% owned subsidiaries, China Fine Development Limited, Top Known International Limited, Eagleman Development Limited and Superwell Properties Limited respectively. The balance of the share capital of the subsidiaries was held by a party not related to the Group.

As at 30th June, 2000, GPL had made interest free advances of US\$124.3 million to its 75% owned subsidiary, Beijing Minghua Property Development Co., Ltd. ("BMPD"). The balance of the share capital of BMPD was held by a party not related to the Group.

## INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (CONT'D)

### Others

DHB group and HLBB group have, from time to time, provided a number of services to the Company and its connected persons (as defined in The Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited) in the ordinary course of its banking business including, inter alia, loan advances, deposits, cheque clearing, remittance, the provision of account services in a variety of currencies, nominee and custodian services and occasionally short term credit accommodation. All services provided by DHB group and HLBB group are in the ordinary course of business and on normal commercial terms.

The Group regularly conducts banking, investment, insurance, stockbroking and other activities in the ordinary course of business and on normal commercial terms with subsidiaries of, and companies related to, HLCM. Messrs. Quek Leng Chan, Kwek Leng Hai and Kwek Leng San are directors interested in such transactions as shareholders of HLCM.

Apart from the above, no contract of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Apart from the above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

Messrs. Quek Leng Chan, Kwek Leng Hai and Kwek Leng San are also directors of Hong Leong Company (Malaysia) Berhad, a substantial shareholder of the Company, which is one of the largest conglomerates based in Malaysia and is engaged in a diverse range of business, including financial services, manufacturing, property investment and development. Messrs. Kwek Leng Hai and Tan Lim Heng are also directors of imGO Limited which is engaged in property investment and development business in Hong Kong.

The above Directors are considered as having interests in business apart from the Group's business, which is likely to compete, directly or indirectly, with the Group's business under paragraph 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## PROPERTIES

Particulars of the major development properties and investment properties of the Group are shown on page 92.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws in Bermuda.

## AUDITORS

A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

**Kwek Leng Hai**  
*President, CEO*

Hong Kong, 13th October, 2000



## TO THE SHAREHOLDERS OF GUOCO GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

We have audited the accounts on pages 43 to 91 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

## BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

## OPINION

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 30th June, 2000 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

**KMPG**

*Certified Public Accountants*

Hong Kong, 13th October, 2000

# Consolidated Profit and Loss Account

For the year ended 30th June, 2000

	Note	2000 US\$'000	1999 US\$'000	2000 HK\$'000 (Note 40)	1999 HK\$'000
Turnover	3	<b>1,394,397</b>	1,611,925	<b>10,870,022</b>	12,504,508
Cost of property sales		<b>(91,549)</b>	(304,433)	<b>(713,670)</b>	(2,361,639)
Interest expenses of banking operations		<b>(714,887)</b>	(763,346)	<b>(5,572,902)</b>	(5,921,657)
Other attributable costs		<b>(20,343)</b>	(16,764)	<b>(158,584)</b>	(130,047)
		<b>567,618</b>	527,382	<b>4,424,866</b>	4,091,165
Other revenue	4	<b>2,280</b>	2,107	<b>17,774</b>	16,345
Other net (loss) / income	4	<b>(2,813)</b>	49,597	<b>(21,929)</b>	384,749
Administrative expenses		<b>(225,917)</b>	(211,326)	<b>(1,761,136)</b>	(1,639,361)
Other operating expenses		<b>(5,568)</b>	(1,910)	<b>(43,405)</b>	(14,817)
Provisions for bad and doubtful loans and advances for banking operations	22(b)	<b>(46,939)</b>	(110,443)	<b>(365,913)</b>	(856,762)
Operating profit before finance cost	5	<b>288,661</b>	255,407	<b>2,250,257</b>	1,981,319
Finance cost for non-banking operations	6	<b>(51,222)</b>	(62,016)	<b>(399,301)</b>	(481,089)
Operating profit		<b>237,439</b>	193,391	<b>1,850,956</b>	1,500,230
Provision for diminution in value of development properties		<b>(8,246)</b>	(168,521)	<b>(64,282)</b>	(1,307,302)
Write back / (provision) for investment in associates and jointly controlled entities		<b>1,866</b>	(48,265)	<b>14,546</b>	(374,416)
Net profit / (loss) on disposal of investment properties		<b>31,620</b>	(714)	<b>246,494</b>	(5,539)
Net loss on disposal of fixed assets		<b>(4,347)</b>	(876)	<b>(33,887)</b>	(6,796)
Net profit on disposal of associates		<b>–</b>	156,554	<b>–</b>	1,214,468
Loss on deemed disposal of a subsidiary's property portfolio		<b>(38,091)</b>	–	<b>(296,938)</b>	–
Operating profit on ordinary activities		<b>220,241</b>	131,569	<b>1,716,889</b>	1,020,645
Share of losses less profits of associates		<b>(377)</b>	(13,473)	<b>(2,939)</b>	(104,517)
Share of profits less losses of jointly controlled entities		<b>3,823</b>	1,078	<b>29,802</b>	8,363
Profit from ordinary activities before taxation		<b>223,687</b>	119,174	<b>1,743,752</b>	924,491
Taxation	7(a)	<b>(49,565)</b>	(45,064)	<b>(386,384)</b>	(349,584)
Profit from ordinary activities		<b>174,122</b>	74,110	<b>1,357,368</b>	574,907
Minority interests		<b>(77,596)</b>	4,818	<b>(604,900)</b>	37,376
Profit attributable to shareholders	11	<b>96,526</b>	78,928	<b>752,468</b>	612,283
Appropriations : Dividends	12	<b>(38,335)</b>	(33,005)	<b>(298,642)</b>	(255,979)
Retained profit for the year		<b>58,191</b>	45,923	<b>453,826</b>	356,304
Retained in:					
The Company and its subsidiaries		<b>67,105</b>	58,331	<b>523,316</b>	452,559
Associates		<b>(12,056)</b>	(13,461)	<b>(93,983)</b>	(104,424)
Jointly controlled entities		<b>3,142</b>	1,053	<b>24,493</b>	8,169
		<b>58,191</b>	45,923	<b>453,826</b>	356,304
Earnings per share		US\$	US\$	HK\$	HK\$
Basic	13	<b>0.23</b>	0.19	<b>1.76</b>	1.44
Diluted	13	<b>0.22</b>	N/A	<b>1.73</b>	N/A

The notes on pages 50 to 91 form part of these accounts.



# Consolidated Statement of Recognised Gains and Losses

For the year ended 30th June, 2000

	2000 US\$'000	1999 US\$'000	2000 HK\$'000 (Note 40)	1999 HK\$'000
Surplus / (deficit) arising on revaluation of investment properties	9,348	(55,557)	72,872	(430,983)
Surplus arising from revaluation of investment properties of an associate	43,580	–	339,728	–
Revaluation reserve realised on				
- deemed disposal of a subsidiary's investment property portfolio	6,485	–	50,554	–
- disposal of subsidiaries and associates	(55,062)	–	(429,236)	–
Net dilution loss of subsidiary and associates	(1,745)	(21,643)	(13,603)	(167,896)
Share of revaluation surplus of associates	1,771	–	13,806	–
Surplus arising on share investment in subsidiaries	13,020	1,532	101,497	11,884
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	(23,575)	14,583	(183,779)	113,128
Net losses not recognised in the consolidated profit and loss account	(6,178)	(61,085)	(48,161)	(473,867)
Group profit attributable to shareholders	96,526	78,928	752,468	612,283
Total recognised gains	90,348	17,843	704,307	138,416

The notes on pages 50 to 91 form part of these accounts.

# Consolidated Balance Sheet

As at 30th June, 2000

	Note	2000 US\$'000	1999 US\$'000	2000 HK\$'000	1999 HK\$'000
(Note 40)					
<b>NON-CURRENT ASSETS</b>					
Investment properties	14	175,993	484,960	1,371,953	3,762,077
Fixed assets	15	654,361	692,705	5,101,071	5,373,659
Interest in associates	17	521,417	442,178	4,064,706	3,430,196
Interest in jointly controlled entities	18	4,822	48,310	37,590	374,765
Held-to-maturity securities and investment securities	19	87,540	53,594	682,418	415,755
		<u>1,444,133</u>	<u>1,721,747</u>	<u>11,257,738</u>	<u>13,356,452</u>
<b>CURRENT ASSETS</b>					
Development properties	20	802,854	822,422	6,258,648	6,379,939
Properties held for resale	21	101,685	–	792,685	–
Advances to customers less provisions	22	8,381,389	8,371,447	65,337,118	64,941,500
Other assets	23	366,378	279,600	2,856,100	2,168,999
Held-to-maturity securities and investment securities	19	3,253,165	1,266,375	25,360,048	9,823,904
Other investments in securities	24	364,077	429,457	2,838,162	3,331,513
Certificates of deposit held		75,482	222,090	588,420	1,722,863
Placements with banks		1,366,783	1,043,893	10,654,757	8,098,000
Cash and short term funds	25	4,139,820	5,181,850	32,271,967	40,198,201
		<u>18,851,633</u>	<u>17,617,134</u>	<u>146,957,905</u>	<u>136,664,919</u>
<b>CURRENT LIABILITIES</b>					
Other payables and provisions	26	1,878,931	1,804,806	14,647,208	14,000,783
Current portion of bank loans and other borrowings	27	276,388	263,103	2,154,583	2,041,022
Insurance funds		2,728	3,063	21,266	23,761
Deposits and balances of other banks		566,356	572,046	4,415,028	4,437,647
Current, fixed, savings and other deposits		13,022,358	11,939,976	101,515,792	92,624,364
Certificates of deposit issued		905,747	962,832	7,060,751	7,469,169
Taxation	7(b)	43,900	73,950	342,222	573,667
Proposed dividend	12	30,100	27,498	234,645	213,316
		<u>16,726,508</u>	<u>15,647,274</u>	<u>130,391,495</u>	<u>121,383,729</u>
Net current assets		<u>2,125,125</u>	<u>1,969,860</u>	<u>16,566,410</u>	<u>15,281,190</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,569,258</u>	<u>3,691,607</u>	<u>27,824,148</u>	<u>28,637,642</u>

# Consolidated Balance Sheet

As at 30th June, 2000

	Note	2000 US\$'000	1999 US\$'000	2000 HK\$'000	1999 HK\$'000
(Note 40)					
<b>NON-CURRENT LIABILITIES</b>					
Non-current portion of bank loans and other borrowings	28	<b>1,315,825</b>	1,300,211	<b>10,257,514</b>	10,086,387
Deferred taxation	29	<b>2,027</b>	8,796	<b>15,801</b>	68,235
		<b>1,317,852</b>	1,309,007	<b>10,273,315</b>	10,154,622
Minority interests	30	<b>795,408</b>	978,615	<b>6,200,603</b>	7,591,606
<b>NET ASSETS</b>		<b>1,455,998</b>	1,403,985	<b>11,350,230</b>	10,891,414
<b>CAPITAL AND RESERVES</b>					
Share capital	31	<b>213,316</b>	213,316	<b>1,662,905</b>	1,654,799
Reserves	32	<b>1,242,682</b>	1,190,669	<b>9,687,325</b>	9,236,615
		<b>1,455,998</b>	1,403,985	<b>11,350,230</b>	10,891,414

Approved by the Board of Directors on 13th October, 2000

**Kwek Leng Hai**  
**Randolph Gordon Sullivan**  
*Directors*

The notes on pages 50 to 91 form part of these accounts.

# Balance Sheet

As at 30th June, 2000

	Note	2000 US\$'000	1999 US\$'000	2000 HK\$'000	1999 HK\$'000
(Note 40)					
<b>NON-CURRENT ASSETS</b>					
Interest in subsidiaries	16	1,276,432	1,246,358	9,950,426	9,668,622
Interest in associates	17	38,692	38,492	301,623	298,602
		<u>1,315,124</u>	<u>1,284,850</u>	<u>10,252,049</u>	<u>9,967,224</u>
<b>CURRENT ASSETS</b>					
Other assets	23	40	64	312	496
Cash and short term funds	25	2	1	16	8
		<u>42</u>	<u>65</u>	<u>328</u>	<u>504</u>
<b>CURRENT LIABILITIES</b>					
Amounts due to subsidiaries		604,690	589,934	4,713,861	4,576,413
Other payables and provisions	26	454	504	3,539	3,910
Bank loans and overdrafts	27	26,914	34,649	209,808	268,790
Taxation	7(b)	27	27	210	209
Proposed dividend	12	30,100	27,498	234,645	213,316
		<u>662,185</u>	<u>652,612</u>	<u>5,162,063</u>	<u>5,062,638</u>
Net current liabilities		<u>(662,143)</u>	<u>(652,547)</u>	<u>(5,161,735)</u>	<u>(5,062,134)</u>
<b>NET ASSETS</b>		<u>652,981</u>	<u>632,303</u>	<u>5,090,314</u>	<u>4,905,090</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	31	213,316	213,316	1,662,905	1,654,799
Reserves	32	439,665	418,987	3,427,409	3,250,291
		<u>652,981</u>	<u>632,303</u>	<u>5,090,314</u>	<u>4,905,090</u>

Approved by the Board of Directors on 13th October, 2000

**Kwek Leng Hai**  
**Randolph Gordon Sullivan**  
*Directors*

The notes on pages 50 to 91 form part of these accounts.



# Consolidated Cash Flow Statement

For the year ended 30th June, 2000

	Note	2000 US\$'000	1999 US\$'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	33(a)	<b>1,475,375</b>	2,102,597
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		8,476	4,021
Interest paid		(79,500)	(112,384)
Dividends received on equity investments		1,740	2,171
Dividends received from associates		1,061	1,903
Dividends paid to minority shareholders		(36,006)	(50,406)
Dividends paid		(35,733)	(33,037)
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<b>(139,962)</b>	(187,732)
<b>TAXATION</b>			
Hong Kong profits tax paid		(31,578)	(6,750)
Overseas tax paid		(37,046)	(40,928)
<b>TAX PAID</b>		<b>(68,624)</b>	(47,678)
<b>INVESTING ACTIVITIES</b>			
Redemption of ordinary share capital by a subsidiary		–	(4,432)
Purchase of held-to-maturity securities and investment securities		(2,330,190)	(1,259,753)
Purchase of interest in a jointly controlled entity		(411)	–
Purchase of interest in associates		(1,902)	(20,868)
Net repayment (advance to) / from associates		(25,796)	3,203
Net repayment from jointly controlled entities		8,850	–
Proceeds from disposal of associates		4,197	218,406
Proceeds from disposal of held-to-maturity securities and investment securities		386,722	404,706
Purchase of fixed assets		(29,803)	(261,819)
Proceeds from sale of fixed assets		20,314	4,323
Additions of investment properties		(25)	(117,524)
Proceeds from sale of investment properties		101,309	–
Reduction of cash on deemed disposal of a subsidiary	33(e)	(1,315)	–
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(1,868,050)</b>	(1,033,758)
<b>NET CASH (OUTFLOW) / INFLOW BEFORE FINANCING</b>		<b>(601,261)</b>	833,429

# Consolidated Cash Flow Statement

For the year ended 30th June, 2000

	Note	2000 US\$'000	1999 US\$'000
<b>FINANCING</b>	33(b)		
Redemption of preference shares by a subsidiary		(116,760)	(41,214)
New issue of ordinary and preference shares in a subsidiary		4,013	45,950
Redemption of certificates of deposit		(807,914)	(767,891)
Issuance of certificates of deposit		754,923	733,833
Short term bank loans		(67,893)	(234,311)
Other short term borrowings		(47,029)	(41,688)
Long term bank loans repayable within 5 years		56,904	10,886
Long term notes and bonds		48,333	(57,559)
Contribution from minority shareholders		—	34,034
<b>NET CASH OUTFLOW FROM FINANCING</b>		<b>(175,423)</b>	<b>(317,960)</b>
<b>(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(776,684)</b>	<b>515,469</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE</b>		<b>8,555</b>	<b>(5,860)</b>
<b>CASH AND CASH EQUIVALENTS AS AT 1ST JULY</b>	33(c)	<b>6,188,517</b>	<b>5,678,908</b>
<b>CASH AND CASH EQUIVALENTS AS AT 30TH JUNE</b>	33(c)	<b>5,420,388</b>	<b>6,188,517</b>

## 1. BASIS OF PRESENTATION

The consolidated accounts incorporate the accounts of the Company and all its subsidiaries made up to 30th June each year. All material intra-group accounts and transactions are eliminated upon consolidation. The Group's results include, in respect of any subsidiaries acquired during the year, their results attributable to the periods since the dates of acquisition and, in the case of subsidiaries disposed of during the year, their results attributable to the periods up to the dates of disposal.

Goodwill arising on consolidation represents the excess of the cost of investment over the fair value of the Group's share of the net assets of subsidiaries, associates and jointly controlled entities acquired. The treatment of goodwill arising on each acquisition is determined by the directors according to the particular circumstances of that transaction. However, the usual practice of the Group is to eliminate goodwill arising on acquisition of subsidiaries, associates and jointly controlled entities against reserves in the year of acquisition.

Although not required to do so under the Bye-Laws of the Company, the accounts of the Company and the Group are prepared so as to comply with the disclosure requirements of the Hong Kong Companies Ordinance, generally accepted accounting principles in Hong Kong and all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants.

The measurement basis used in the preparation of the accounts is historical cost modified by the revaluation of investment properties and land and buildings, and the marking to market of certain investments in securities as explained in the accounting policies set out below.

## 2. PRINCIPAL ACCOUNTING POLICIES

### (a) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

- (i) Interest income
  - interest income from loans and advances and deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable except where the recoverability of the principal outstanding is in doubt; and
  - interest income from dated debt securities intended to be held to maturity is recognised as it accrues, as adjusted by the amortisation of the premium or discount on acquisition, so as to achieve a constant rate of return over the period from the date of purchase to the date of maturity.
- (ii) Fee income and expense from banking operations are recognised when earned or incurred except where the fee is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the fee is recognised on an appropriate basis over the relevant period. Other service fee income is recognised based on the stage of completion of the service rendered.
- (iii) Dividend income is recognised as follows :
  - dividends from subsidiaries are recognised at the end of the subsidiaries' financial period to which such dividends relate; and
  - dividends from listed investments are recognised when the share price of such investments goes ex-dividend.

## 2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

### (a) Revenue recognition (Cont'd)

- (iv) Revenue on the disposal of development properties is recognised in the accounts using the percentage of completion method based on the stage of completion as certified by the architects or quantity surveyors. Provision for foreseeable loss is made in the year in which such loss is determined.
- (v) Revenue arising from the disposal of other properties is recognised when substantially all the conditions of sales have been met and the risks and rewards of ownership have been transferred to the buyers.
- (vi) Rental income from operating leases is recognised on a straight line basis over the period of the respective leases.
- (vii) Commission and brokerage income in respect of securities trading is recognised on the contractual completion of trades.
- (viii) Insurance premiums

Premiums are accounted for in the period in which the amount is determined, which is generally the period in which the risk commences.

Premiums, commission and claims paid or payable on inward treaty reinsurance business are accounted for on the basis of the latest advice from ceding companies or agents.

Unearned premiums represent the estimated proportion of the net written premiums, after reinsurance and acquisition costs where applicable, which relates to periods of risk subsequent to the balance sheet date. Unearned premiums are calculated as follows:

Accident and Health, Ships, Property Damage, General Liability and Pecuniary Loss	- 40%
Goods in Transit	- 25%

### (b) Investments

- (i) Investment in securities

Investments in debt and equity securities, except those held either solely for the purpose of recovering advances or, as investments in subsidiaries, associates or jointly controlled entities, are accounted for as follows:

Investments in securities are classified as held-to-maturity securities, investment securities and other investments in securities, and are recognised as assets from the date on which the Group is bound by the contract which gives rise to them.

Transfer of a security between categories of investments is accounted for at fair value. The profit or loss arising from transfers between categories of investments is accounted for as if the investment had been sold and repurchased at the date of transfer.

The profit or loss on disposal is accounted for in the period in which the disposal occurs as the difference between the sales proceeds and the carrying amount of the investments.

## 2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

### (b) Investments (Cont'd)

#### **Held-to-maturity securities**

Investment in dated debt securities which the Group has expressed the intention and ability to hold to maturity, are stated in the balance sheet at cost adjusted for the amortisation of premiums or discounts arising on acquisition, less any provisions for diminution in value which is other than temporary.

The carrying amounts of held-to-maturity securities are reviewed as at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised as an expense in the profit and loss account.

#### **Investment securities**

Equity and debt securities which are intended to be held on a continuing basis for an identified long term purpose at the time of acquisition are stated in the balance sheet at cost less any provisions for diminution in value which is other than temporary.

The carrying amounts of investment securities are reviewed as at the balance sheet date in order to assess whether the fair values have declined below the carrying amounts. When such a decline has occurred, the carrying amount is reduced to the fair value unless there is evidence that the decline is temporary. The amount of the reduction is recognised as an expense in the profit and loss account.

#### **Other investments**

Other securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.

Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Provisions against the carrying value of held-to-maturity securities and investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

#### (ii) Interest in subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Interest in subsidiaries are stated in the Company's balance sheet at cost less provision for diminution in value which is other than temporary as determined by the directors.



## 2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

### (b) Investments (Cont'd)

#### (iii) Interest in associates

An associate is a company in which the Group has a long term equity interest and over which the Group is in a position to exercise significant influence, but not control or joint control, in its management, including participation in financial and operating policy decisions.

The consolidated profit and loss account includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, investments in associates are accounted under the equity method and are stated at cost, less goodwill, and adjusted for the post acquisition change in the Group's share of the associates' net assets .

#### (iv) Interest in jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual agreement whereby the Group or Company and at least one other party undertake an economic activity which is subject to control and none of the parties involved unilaterally has control over the economic activity.

The consolidated profit and loss account includes the Group's share of the post-acquisition results of its jointly controlled entities for the year. In the consolidated balance sheet, interest in jointly controlled entities are accounted under the equity method and are stated at cost, less goodwill, and adjusted for the post acquisition change in the Group's share of the jointly controlled entities' net assets.

### (c) Fixed assets and depreciation

- (i) In preparing these accounts, advantage has been taken of the transitional provisions set out in paragraph 72 of Statement of Standard Accounting Practice 2.117 "Property, plant and equipment" issued by the Hong Kong Society of Accountants in July 1995, with the effect that premises have not been revalued to fair value at the balance sheet date.

The Group's premises are included at directors' valuation made having regard to independent professional valuations carried out in 1993. Surplus arising on revaluation is credited to the revaluation reserve. Additions to revalued premises made subsequent to the revaluation are included at cost. Premises which have not been the subject of a revaluation are included at cost.

The carrying amount of fixed assets is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised as an expense, unless it reverses a previous revaluation increase in which case it is charged directly against any related revaluation reserve to the extent that the reduction does not exceed the amount held in the revaluation reserve in respect of the same item. In determining the recoverable amount, expected future cash flows generated by the fixed assets are not discounted to their present values.

A subsequent increase in the recoverable amount of an asset carried at depreciated cost is written back to the profit and loss account when the circumstances and events that led to the write-down or write-off cease to exist. Any subsequent increase in the recoverable amount of an asset carried at valuation is credited firstly to the profit and loss account to the extent of any deficit previously charged to the profit and loss account in respect of that same asset, and is thereafter taken to the revaluation reserve.

## 2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

### (c) Fixed assets and depreciation (Cont'd)

- (ii) Premises are stated at cost or valuation less depreciation calculated to write off the assets over their estimated useful lives as follows:

- freehold land is not depreciated.
- land held on lease is depreciated over the unexpired terms of the leases on a straight line basis.
- buildings and improvements thereto are depreciated at the higher of 2% per annum or over the unexpired terms of the leases on a straight line basis.

Furniture, fixtures and equipment are stated at cost less depreciation calculated on a straight line basis to write off the assets over their estimated useful lives, taken as being between 3 to 10 years.

- (iii) On disposal of fixed assets, the profit or loss is determined as the difference between the net sale proceeds and the carrying amount. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

### (d) Investment properties

Investment properties with an unexpired lease terms of more than 20 years are stated in the balance sheet at their open market value. An internal valuation is done annually and an independent professional valuation is made at least once every three years. The net surplus or deficit on revaluation is taken to investment property revaluation reserve except when the total of the reserve is not sufficient to cover a deficit on an aggregate basis, in which case the amount by which the deficit exceeds the amount in the investment property revaluation reserve is charged to the profit and loss account.

No depreciation is provided in respect of investment properties with an unexpired lease term of over 20 years since the valuation takes into account the state of each property at the date of valuation.

On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is transferred to the profit and loss account for the year.

### (e) Properties held for resale

Properties held for resale are included in the balance sheet as current assets and are stated at the lower of cost and net realisable value. Cost includes land and building cost and other expenses incurred incidental to the acquisition of these properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the properties.

### (f) Development properties

Development properties are stated at cost, plus, where appropriate, a portion of attributable profit less progress billings. Land, related acquisition expenses, development expenditure, interest and other related expenditure are capitalised as part of the cost of development properties.

### (g) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

## 2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

### (h) Finance leases and hire purchase transactions

Amounts due from lessees in respect of finance leases and hire purchase transactions, net of unearned interest, are included in the balance sheet as advances to customers.

Net income on finance leases and hire purchase transactions is allocated to accounting periods over the lease term in accordance with the investment period method so as to produce a constant periodic rate of return on the net cash investment for each accounting period.

### (i) Operating leases

Payments under operating leases are charged to the profit and loss account on a straight line basis over the periods of the respective leases.

### (j) Provisions for bad and doubtful loans and advances

Specific provisions are made for bad and doubtful loans and advances as and when they are so considered by the directors. In addition, amounts have been set aside as general provisions for doubtful loans and advances. The specific element relates to individual accounts; the general element relates to other exposures not separately identified but known from experience to exist in any portfolio of banking facilities. When there is no longer any realistic prospect of recovery, the outstanding loan is written off.

Interest on bad and doubtful loans and advances is credited to a suspense account which is netted in the balance sheet against the relevant balances.

### (k) Long term notes and bonds issued

Long term notes and bonds are stated at their principal amounts plus unamortised premium. The premium arising from the issue of the notes and bonds is deferred and amortised on a straight line basis over the repayment period of the notes and bonds.

### (l) Deferred taxation

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 treatments of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

### (m) Translation of foreign currencies

Foreign currency transactions during the year are translated into United States dollars at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies and the accounts of overseas subsidiaries, associates and jointly controlled entities are translated into United States dollars at the rates of exchange ruling at the balance sheet date. Differences on foreign currency translation are dealt with in the profit and loss account with the exception of those arising on the translation of foreign currency accounts of subsidiaries, associates and jointly controlled entities which are dealt with in reserves.

## 2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

### (n) Sale and repurchase agreements

Securities sold under sale and repurchase agreements are considered to be, in substance, secured loans. Therefore the securities are maintained on the balance sheet at cost or market value depending on their classification as held-to-maturity securities, investment securities or other investments and the proceeds of the sale are included in "Current, fixed, savings and other deposits" or "Deposits and balances of other banks" depending on the identity of the counterparty. The difference between the sale price and the repurchase price is amortised on an effective yield basis over the period from the date of sale to the date of repurchase.

Conversely, securities purchased under agreements to resell are not recognised on the balance sheet and the purchase cost is recorded as "Advances to customers less provisions" or "Placements with banks" depending on the identity of the counterparty. The difference between the purchase price and resale price is amortised on an effective yield basis over the period from the date of purchase to the date of resale.

### (o) Insurance operations

The insurance results are determined after making provision for unexpired risks and outstanding claims, whether or not reported at the balance sheet date.

### (p) Retirement cost

The Group operates a defined contribution scheme and the contributions thereto are charged to the profit and loss account for the year.

### (q) Off-balance sheet financial instruments

Off-balance sheet financial instruments arise from futures, forward, swap and option transactions undertaken by the Group in the foreign exchange, interest rate and equity markets. The accounting for these instruments is dependent upon whether the transactions are undertaken for dealing purposes, to hedge risk, or as part of the management of asset and liability portfolios.

Transactions undertaken for dealing purposes are marked to market and the net present value of the gain or loss arising is recognised in the profit and loss account as dealing profits/losses, after appropriate deferrals for unearned credit margin and future servicing costs.

Transactions designated as hedges are valued on an equivalent basis to the assets, liabilities or net positions which they are hedging. Any profit or loss is recognised on the same basis as that arising from the related assets, liabilities or net positions.

Interest rate swap transactions undertaken as part of the management of asset and liability portfolios are separately identified and interest income or expenses arising therefrom is netted off against the related interest income or expenses on the on-balance sheet items these transactions are hedged against.

Unrealised gains on transactions which are marked to market are included in "Other assets" in the balance sheet. Unrealised losses on transactions which are marked to market are included in "Other payables and provisions".

## 2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

### (r) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

### (s) Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents include short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired net off advances from banks repayable within three months from the date of the advance.

### (t) Current and non-current assets and liabilities

Assets and liabilities which are expected to be recovered or settled within twelve months from the balance sheet date are classified as current assets and current liabilities. All other assets and liabilities are classified as non-current.

The classification of current and non-current assets and liabilities is not applicable to banking operations. All assets and liabilities relating to the banking operations, other than fixed assets are classified as current items in the consolidated balance sheet.

## 3. TURNOVER

The principal activity of the Company is investment holding and those of its subsidiaries are set out on pages 65 to 70.

An analysis of the amount of each significant category of revenue recognised in turnover during the year is as follows:

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>US\$'000</b>	US\$'000
Interest income from banking operations	<b>1,108,369</b>	1,102,247
Interest income from non-banking operations	<b>7,589</b>	9,089
Income from sale of investments in securities	<b>11,399</b>	4,016
Securities commission, brokerage and other income	<b>18,577</b>	7,369
Gross insurance premiums	<b>20,901</b>	20,252
Income from sale of properties	<b>93,682</b>	296,301
Rental income from properties	<b>19,213</b>	25,760
Other income from banking operations	<b>113,029</b>	145,211
Dividend income from listed securities	<b>1,638</b>	1,680
	<b>1,394,397</b>	1,611,925



## 4. INCOME

	The Group	
	2000	1999
	US\$'000	US\$'000
<b>a) Other revenue</b>		
Dividend income from unlisted securities	102	–
Interest income from listed securities	1,151	873
Others	1,027	1,234
	<u>2,280</u>	<u>2,107</u>

	The Group	
	2000	1999
	US\$'000	US\$'000
<b>b) Other net (loss) / income</b>		
Net profits from dealing investments	239	743
Net realised gains on investment securities	2,295	7,446
(Provision) / write back on held-to-maturity securities and investment securities	(1,171)	11,162
Net realised gains / (losses) on other investments	11,065	(589)
Net unrealised (losses) / gains on other investments	(9,975)	31,751
Loss on foreign exchange dealing	(871)	(3,299)
Net exchange gains	832	754
Others	(5,227)	1,629
	<u>(2,813)</u>	<u>49,597</u>

## 5. OPERATING PROFIT BEFORE FINANCE COST

Operating profit before finance cost of the Group is arrived at after charging:

	The Group	
	2000	1999
	US\$'000	US\$'000
Staff costs (including retirement scheme contributions of US\$7,829,000 (1999 : US\$7,989,000))	137,596	130,498
Rental income less outgoings	18,261	20,976
Depreciation	24,652	22,238
Auditors' remuneration	989	992
Operating lease charges		
– properties	6,218	7,253
– others	17,200	14,974
	<u>17,200</u>	<u>14,974</u>

## 6. FINANCE COST FOR NON-BANKING OPERATIONS

	The Group	
	2000 US\$'000	1999 US\$'000
Interest on bank advances and other borrowings repayable within five years	61,878	73,926
Other borrowing costs	1,923	1,679
Total borrowing costs	63,801	75,605
Less: borrowing costs capitalised into development properties	(12,579)	(13,589)
	<u>51,222</u>	<u>62,016</u>

Note: This excludes the interest expenses of the banking operations.

## 7. TAXATION

### (a) Taxation in the consolidated profit and loss account represents:

	The Group	
	2000 US\$'000	1999 US\$'000
Hong Kong profits tax	34,624	26,241
Overseas taxation	7,462	28,284
Deferred taxation (Note 29)	(4,881)	(9,474)
	<u>37,205</u>	<u>45,051</u>
Share of associates' taxation	11,679	(12)
Share of jointly controlled entities' taxation	681	25
	<u>49,565</u>	<u>45,064</u>

Provision for Hong Kong profits tax is based on the estimated assessable profits for the year at the rate of 16% (1999 : 16%). Taxation for overseas subsidiaries is charged at the appropriate rates of taxation ruling in the countries in which they operate.

### (b) Taxation in the balance sheets represents:

	The Group		The Company	
	2000 US\$'000	1999 US\$'000	2000 US\$'000	1999 US\$'000
Payable for Hong Kong profits tax	20,813	18,113	27	27
Overseas taxation payable	23,087	55,837	—	—
Tax payable	<u>43,900</u>	<u>73,950</u>	<u>27</u>	<u>27</u>
Amount of taxation payable expected to be settled after more than 1 year	<u>3,152</u>	<u>14,519</u>	<u>—</u>	<u>—</u>

## 8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>US\$'000</b>	US\$'000
Fees	<b>286</b>	208
Salaries, allowances and benefits in kind	<b>1,800</b>	1,807
Discretionary bonuses	<b>665</b>	509
Pension contributions	<b>101</b>	104
	<b>2,852</b>	2,628

Included in the above are the following emoluments paid to independent non-executive directors:

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>US\$'000</b>	US\$'000
Fees	<b>100</b>	86

In addition to the above emoluments, certain directors were granted share options under the Company's share option scheme. The details of these benefits in kind are disclosed under the paragraph "Directors' interests in securities" in the directors' report.

The number of directors whose remuneration falls within the following bands is:

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>Number of directors</b>	Number of directors
US\$		
0 – 150,000	<b>5</b>	5
150,001 – 200,000	<b>1</b>	1
650,001 – 700,000	<b>1</b>	1
750,001 – 800,000	<b>–</b>	1
800,001 – 850,000	<b>–</b>	1
950,001 – 1,000,000	<b>1</b>	–
1,250,001 – 1,300,000	<b>1</b>	–
	<b>9</b>	9

## 9. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Among the five highest paid individuals of the Group, two (1999 : three) are directors whose remuneration is disclosed in Note 8. The remuneration of the other three (1999 : two) individuals is as follows:

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>US\$'000</b>	US\$'000
Fees	<b>2</b>	–
Salaries, allowances and benefits in kind	<b>1,022</b>	605
Discretionary bonuses	<b>927</b>	730
Pension contributions	<b>29</b>	8
	<b>1,980</b>	1,343

The number of individuals whose remuneration falls within the following bands is :

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>Number of individuals</b>	Number of individuals
US\$		
500,001 – 550,000	–	1
550,001 – 600,000	<b>2</b>	–
800,001 – 850,000	<b>1</b>	1
	<b>3</b>	2

## 10. LOANS TO OFFICERS

Particulars of relevant loans disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance:

	<b>The Group</b>			
	<b>Aggregate amount of relevant loans outstanding at 30th June</b>		<b>Maximum aggregate amount of relevant loans outstanding during the year</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>US\$'000</b>	US\$'000	<b>US\$'000</b>	US\$'000
Relevant loans made by subsidiary banks	<b>177</b>	340	<b>646</b>	3,429

## 11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group profit attributable to shareholders includes a profit of US\$59,013,000 (1999 : US\$49,998,000) which has been dealt with in the accounts of the Company.

## 12. DIVIDENDS

	<b>The Group and The Company</b>	
	<b>2000</b>	<b>1999</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Interim dividend paid of HK\$0.15 per share (1999 : HK\$0.10 per share)	<b>8,235</b>	5,507
Proposed final dividend of HK\$0.55 per share (1999 : HK\$0.50 per share)	<b>30,100</b>	27,498
	<b>38,335</b>	33,005

## 13. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of US\$96,526,000 (1999 : US\$78,928,000) and on the 426,631,086 shares (1999 : 426,631,086 shares) in issue during the year.

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of US\$94,928,000 and the weighted average number of 426,631,086 shares in issue during the year after adjusting for the effect of all dilutive potential ordinary share.

During the year ended 30th June, 1999, there were no dilutive potential shares. Fully diluted earnings per share are not disclosed.

## 14. INVESTMENT PROPERTIES

	<b>The Group</b>	
	<b>2000</b>	<b>1999</b>
	<b>US\$'000</b>	<b>US\$'000</b>
At valuation		
As at 1st July	<b>484,960</b>	400,997
Additions	<b>25</b>	217,944
Transfer to properties held for resale (Note 21)	<b>(53,941)</b>	–
Transfer to fixed assets (Note 15)	<b>(61,706)</b>	(20,241)
Disposals		
– through deemed disposal of a subsidiary's investment property portfolio	<b>(54,722)</b>	–
– others	<b>(142,708)</b>	(24,697)
Surplus / (deficit) on revaluation	<b>9,348</b>	(91,662)
Exchange adjustments	<b>(5,263)</b>	2,619
As at 30th June	<b>175,993</b>	484,960

All the Group's investment properties are located in Singapore and were valued on an open market basis by DTZ Debenham Tie Leung (SEA) Pte Ltd, an independent firm of professional valuers who are members of the Singapore Institute of Surveyors and Valuers as at 30th June, 2000.

Certain of the Group's investment properties with a book value of US\$46.8 million (1999 : US\$74.1 million) were pledged to banks to secure banking facilities granted to the Group.



## 15. FIXED ASSETS

	Freehold & leasehold premises US\$'000	Furniture, fixtures & equipment US\$'000	Total US\$'000
The Group:			
Cost or valuation			
As at 1st July, 1999	678,653	94,761	773,414
Additions	14,842	14,961	29,803
Transfer from investment properties (Note 14)	61,706	–	61,706
Disposals			
– through deemed disposal of a subsidiary's property portfolio	(79,435)	(156)	(79,591)
– others	(26,086)	(3,969)	(30,055)
Exchange adjustments	(3,344)	(1,215)	(4,559)
As at 30th June, 2000	646,336	104,382	750,718
Accumulated depreciation			
As at 1st July, 1999	30,866	49,843	80,709
Charge for the year	11,799	12,853	24,652
Written back			
– through deemed disposal of a subsidiary's property portfolio	(2,579)	(56)	(2,635)
– others	(1,908)	(3,446)	(5,354)
Exchange adjustments	(247)	(768)	(1,015)
As at 30th June, 2000	37,931	58,426	96,357
<b>Net book value as at 30th June, 2000</b>	<b>608,405</b>	<b>45,956</b>	<b>654,361</b>
Net book value as at 30th June, 1999	647,787	44,918	692,705

## 15. FIXED ASSETS (CONT'D)

The analysis of net book value of freehold and leasehold premises is as follows:

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>US\$'000</b>	US\$'000
In Hong Kong		
– Leasehold with over 50 years unexpired	<b>184,137</b>	214,139
– Leasehold with between 10 years to 50 years unexpired	<b>406,463</b>	415,194
– Leasehold with less than 10 years unexpired	<b>125</b>	–
Outside Hong Kong		
– Freehold	<b>8,650</b>	9,382
– Leasehold with over 50 years unexpired	<b>334</b>	343
– Leasehold with between 10 years to 50 years unexpired	<b>8,680</b>	8,729
– Leasehold with less than 10 years unexpired	<b>16</b>	–
	<b>608,405</b>	647,787

The analysis of cost and valuation of freehold and leasehold premises is as follows:

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>US\$'000</b>	US\$'000
At cost	<b>352,159</b>	362,317
At directors' valuation in October, 1993	<b>294,177</b>	316,336
	<b>646,336</b>	678,653

## 16. INTEREST IN SUBSIDIARIES

	<b>The Company</b>	
	<b>2000</b>	1999
	<b>US\$'000</b>	US\$'000
Listed shares, at cost	<b>344,671</b>	344,671
Unlisted shares, at cost	<b>24,546</b>	24,546
Dividends receivable	<b>64,289</b>	44,855
Amounts due from subsidiaries		
– loans	<b>834,812</b>	801,505
– deposits	<b>8,114</b>	30,781
	<b>1,276,432</b>	1,246,358
Market value of listed shares	<b>2,198,895</b>	2,228,881

## 16. INTEREST IN SUBSIDIARIES (CONT'D)

(a) Details of the principal subsidiaries incorporated and operating in Hong Kong are as follows:

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Group	Principal activities
DHB Limited	5,000,000 shares of HK\$100 each		71	Investment holding
Dao Heng Bank Limited	5,200,000,000 shares of HK\$1 each		71	Banking
Overseas Trust Bank, Limited	2,000,000,000 shares of HK\$1 each		71	Banking
Guoco Management Company Limited	2 shares of HK\$1 each	100		Provision of general management services
Dao Heng Finance Limited	250,000 shares of HK\$100 each		71	Finance
Ting Hong Nominees Limited	10,000 shares of HK\$1 each		71	Nominee services
Hang Lung Godown Company, Limited	3,500,000 shares of HK\$1 each		71	Property investment
OTB Card Company Limited	700,000 shares of HK\$100 each		71	Property investment
Dao Heng Enterprises Limited	23,000,000 shares of HK\$1 each	100		Investment holding
Dao Heng Insurance Co., Limited	300,000 shares of HK\$100 each		100	Insurance
Guoco Investments (China) Limited	10,000,000 shares of HK\$1 each	100		Investment holding
Dao Heng Securities Limited	120,000 shares of HK\$100 each		100	Stockbroking
Dao Heng Fund Management Limited	100,000 shares of HK\$100 each		100	Fund management
Dao Heng Commodities Limited	100,000 shares of HK\$100 each		100	Commodities trading
Top Known International Limited	10,000 shares of HK\$1 each		71	Property development
China Fine Development Limited	10,000 shares of HK\$1 each		71	Property development
Eagleman Development Limited	10,000 shares of HK\$1 each		71	Property development
Superwell Properties Limited	10,000 shares of HK\$1 each		71	Property development
Asia Fountain Investment Company Limited	2 shares of HK\$10 each		100	Investment trading

## 16. INTEREST IN SUBSIDIARIES (CONT'D)

(b) Details of the principal subsidiaries incorporated and operating in Singapore are as follows:

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company Group	Principal activities
Cheltenham Investments Pte Ltd	500,000 shares of S\$1 each	54	Investment holding
Chiltern Park Development Pte Ltd	28,300,000 shares of S\$1 each	54	Property development
Everian Holdings Pte Ltd	2,000,000 shares of S\$1 each	54	Investment holding
First Bedok Land Pte Ltd	72,000,000 shares of S\$1 each	54	Property development
First Capital Asia Pte Limited	19,000,000 shares of S\$1 each	54	Investment holding
First Capital Asia Land Pte Limited	38,000,000 shares of S\$1 each	54	Property development
First Capital Corporation Ltd	368,533,642 shares of S\$1 each	54	Investment holding
First Capital Development Pte Ltd	1,000,000 shares of S\$1 each	54	Property investment
Elias Development Pte Ltd	7,500,000 shares of S\$1 each	54	Property development
First Capital Fund Management Pte Ltd	1,000,000 shares of S\$1 each	54	Fund management & advisory services
First Capital Hotels Pte Ltd	2 shares of S\$1 each	54	Investment holding
First Capital Insurance Limited (Note i)	25,000,000 shares of S\$1 each	53	General insurance & reinsurance
Da Zhong Investment Pte Limited (Note i)	4,000,000 shares of S\$1 each	53	Investment holding
Prime Underwriting Managers (Pte) Ltd (Note i)	200,000 shares of S\$1 each	53	Underwriting managers
First Capital Investment Ltd	10,000,000 shares of S\$1 each	54	Investment trading
First Capital Land Pte Ltd	70,000,000 shares of S\$1 each	54	Property investment
First Capital Management Pte Ltd	500,000 shares of S\$1 each	54	Provision of management services
First Capital Properties Pte Ltd	10,000,000 shares of S\$1 each	54	Property investment
First Cavendish Development Pte Ltd	23,400,000 shares of S\$1 each	54	Property development

## 16. INTEREST IN SUBSIDIARIES (CONT'D)

(b) Details of the principal subsidiaries incorporated and operating in Singapore are as follows: (Cont'd)

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company Group	Principal activities
First Garden Development Pte Ltd (formerly known as Garden Palace Development Pte Ltd)	80,000,000 shares of S\$1 each	49	Property development
Guoco Investment Pte Ltd	20,000,000 shares of S\$1 each	100	Investment holding
Harbour View Development Pte Ltd	13,100,000 shares of S\$1 each	54	Property development
Tanamera Development Pte Ltd	20,500,000 shares of S\$1 each	54	Property development
A-Z Holdings Pte Ltd	27,000,000 shares of S\$1 each	54	Investment holding & property investment
Branmil Holdings Pte Ltd	2 shares of S\$1 each	54	Investment holding
Chelford Pte Ltd	2 shares of S\$1 each	54	Investment holding
Fasidon Holdings Pte Ltd	77,112,700 shares of S\$1 each	43	Property development
Fica Nominees Pte Ltd	2 shares of S\$1 each	54	Investment holding and provision of nominee services
First Bukit Panjang Land Pte Ltd	71,190,000 shares of S\$1 each	54	Property development
FCC Holdings Pte Ltd (formerly known as First Capital (Overseas) Pte Ltd )	2 shares of S\$1 each	54	Investment holding
First Capital Assets Pte Ltd	15,000,000 shares of S\$1 each	54	Investment holding
FCC Equities Pte Ltd	4,500,000 shares of S\$1 each	54	Investment holding & trading
First Capital Holdings (HK) Pte Ltd	4,500,000 shares of S\$1 each	54	Investment holding
First Capital Holdings (Thailand) Pte Ltd	2 shares of S\$1 each	54	Investment holding
First Capital Holdings (U.K.) Pte Ltd	9,000,000 shares of S\$1 each	54	Investment holding
First Capital Holdings Pte Ltd	2 shares of S\$1 each	54	Investment holding & trading



## 16. INTEREST IN SUBSIDIARIES (CONT'D)

(b) Details of the principal subsidiaries incorporated and operating in Singapore are as follows: (Cont'd)

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company	Group	Principal activities
First Capital Property Management Pte Ltd	2 shares of S\$1 each		54	Property management marketing and maintenance services
First Capital Realty Pte Ltd	30,000,000 shares of S\$1 each		54	Property development
First Changi Development Pte Ltd	44,446,750 shares of S\$1 each		48	Property development
First Coventry Development Pte Ltd	17,830,000 shares of S\$1 each		54	Property development
First Jurong Land Pte Ltd	118,930,000 shares of S\$1 each		54	Property development
First Loyang Land Pte Ltd	55,834,697 shares of S\$1 each		54	Property development
First Tanglin Land Pte Ltd	25,628,700 shares of S\$1 each		54	Property development
Guoco Assets Pte Ltd	2 shares of S\$1 each	100		Investment holding
Hedover Holdings Pte Ltd	5,000,000 shares of S\$1 each		54	Property investment
Leonie Land Pte Ltd	19,310,000 shares of S\$1 each		54	Property development
Melville Park Development Pte Ltd	72,300,000 shares of S\$1 each		43	Property development
Sanctuary Land Pte Ltd	60,000,000 shares of S\$1 each		49	Property development

(c) Details of the principal subsidiaries incorporated and operating in other countries are as follows:

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Company	Group	Principal activities
Dao Heng Bank Group Limited (Note iii)	Bermuda	694,723,200 shares of US\$0.50 each	71		Investment holding
Guoco Securities (Bermuda) Limited (Note iii)	Bermuda	120,000 shares of US\$0.10 each	100		Investment holding
Guoco Properties Limited (Note iii)	Bermuda	20,000,000 shares of US\$1 each	55	24	Investment holding
Dao Heng Bank (London) Plc	United Kingdom	20,000,000 shares of £1 each		71	Banking

## 16. INTEREST IN SUBSIDIARIES (CONT'D)

(c) Details of the principal subsidiaries incorporated and operating in other countries are as follows: (Cont'd)

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Company Group		Principal activities
Dao Heng Bank, Inc.	Philippines	26,700,000 shares of P100 each		57	Banking
Guoco Securities (Philippines), Inc.	Philippines	500,000 shares of P100 each		100	Stockbroking
Guoco Assets (Philippines), Inc.	Philippines	1,210,000 shares of P100 each		100	Investment holding
Hong Way Holdings, Inc.	Philippines	100,000 shares of P1 each	60	40	Investment holding
Guoco Assets Sdn. Bhd.	Malaysia	2 shares of M\$1 each	100		Investment holding
DH Capital Management (BVI) Limited	British Virgin Islands	2 shares of US\$1 each	100		Fund management
Dao Heng Bank Trustee (BVI) Limited	British Virgin Islands	250,000 shares of US\$1 each		71	Trustee services
GL Holdings Limited (Note iii)	British Virgin Islands	1 share of US\$1 each	100		Investment holding
Courtenay Enterprises Limited (Note iii)	British Virgin Islands	1 share of US\$1 each		100	Property investment
Taipo Limited (Note iii)	British Virgin Islands	1 share of US\$1 each		100	Investment holding
Fresco Resources Limited (Note iii)	British Virgin Islands	1 share of US\$1 each	100		Investment holding
Reservoir Resources Limited (Note iii)	British Virgin Islands	1 share of US\$1 each	100		Investment holding
Zeltand Holdings Limited	British Virgin Islands	10 shares of US\$1 each		53	Investment holding
Beijing Minghua Property Development Co., Ltd. (Note i)	People's Republic of China	RMB 200,000,000 (Note ii)		60	Property development
Suzhou China Fine Real Estate Development Co., Ltd. (Note i)	People's Republic of China	RMB 22,468,709 (Note ii)		71	Property development
Suzhou Superwell Real Estate Development Co., Ltd. (Note i)	People's Republic of China	RMB 20,223,347 (Note ii)		71	Property development
Suzhou Top Known Real Estate Development Co., Ltd. (Note i)	People's Republic of China	RMB 36,292,454 (Note ii)		71	Property development

## 16. INTEREST IN SUBSIDIARIES (CONT'D)

(c) Details of the principal subsidiaries incorporated and operating in other countries are as follows: (Cont'd)

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Company	Group	Principal activities
Suzhou Eagleman Real Estate Development Co., Ltd. (Note i)	People's Republic of China	RMB 39,869,392 (Note ii)		71	Property development
Shanghai Hao Cheng Property Co., Ltd. (Note i)	People's Republic of China	RMB 58,387,873 (Note ii)		75	Property development

Note i : These companies have a financial year end of 31st December.

Note ii : These comprise capital contribution to the companies. These companies have a defined period of existence.

Note iii : These companies are operating in Hong Kong.

## 17. INTEREST IN ASSOCIATES

	The Group		The Company	
	2000	1999	2000	1999
	US\$'000	US\$'000	US\$'000	US\$'000
Unlisted shares, at cost	—	—	38,649	20,977
Share of net assets	469,390	391,512	—	—
Less : provision	(9,900)	(9,900)	—	—
	459,490	381,612	38,649	20,977
Amounts due from associates	61,927	60,566	43	17,515
	521,417	442,178	38,692	38,492

Details of the principal associates are as follows:

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Company	Group	Principal activities
Camerlin (BVI) Limited	British Virgin Islands	10 shares of US\$1 each		21	Investment holding
Hong Leong Credit Berhad	Malaysia	447,255,810 shares of M\$1 each		20	Investment holding
Guoman Hotel & Resort Holdings Sdn. Bhd.	Malaysia	277,000,000 shares of M\$1 each	30		Investment holding
Tiara Investment Holdings Limited	Mauritius	6,500,000 shares of US\$1 each		21	Investment holding
Guoco Holdings (Philippines), Inc.	Philippines	2,367,149,383 shares of P1 each		36	Investment holding

## 17. INTEREST IN ASSOCIATES (CONT'D)

Details of the principal associates are as follows:(Cont'd)

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Company	Group	Principal activities
Pepsi-Cola Products Philippines, Inc.	Philippines	3,312,989,386 shares of P1 each		39	Manufacturing
Camerlin Pte Ltd	Singapore	100,000 shares of S\$1 each		21	Investment holding
First Capital Property Ventures Pte Limited	Singapore	100 shares of S\$1 each		19	Investment holding
Stockton Investments Pte Limited	Singapore	10,000 shares of S\$1 each		20	Investment holding
Benchmark Group PLC	United Kingdom	121,036,400 shares of 50 pence each		18	Property investment and development
imGO Limited (formerly known as Guoco Land Limited)	Hong Kong	3,051,437,156 shares of HK\$0.50 each		21	Property development and investment

## 18. INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2000	1999
	US\$'000	US\$'000
Share of net assets	4,822	7,691
Less : provision	—	(30,610)
	4,822	(22,919)
Amounts due from jointly controlled entities	—	71,229
	4,822	48,310

Details of the Group's interest in the jointly controlled entities are as follows :

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Company	Group	Principal activities
Hutchison Dao Heng Card Limited	British Virgin Islands	1,000,000 shares of HK\$1 each	35		Provision of agency services for credit card
Friends Ivory & Sime Asia Limited	Hong Kong	180,000 shares of HK\$10 each	50		Fund management

## 19. HELD-TO-MATURITY SECURITIES AND INVESTMENT SECURITIES

		The Group			1999	
	Non-current	2000	Total	Non-current	Current	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
(a) Held-to-maturity securities						
Listed						
In Hong Kong	–	236,212	236,212	–	31,970	31,970
Outside Hong Kong	–	1,430,095	1,430,095	–	692,237	692,237
	–	1,666,307	1,666,307	–	724,207	724,207
Unlisted	–	1,572,867	1,572,867	–	525,774	525,774
Total held-to-maturity securities	–	3,239,174	3,239,174	–	1,249,981	1,249,981
(b) Investment securities						
Debt securities						
Listed outside Hong Kong	–	5,588	5,588	–	3,259	3,259
Unlisted	–	6,599	6,599	258	11,294	11,552
	–	12,187	12,187	258	14,553	14,811
Equity securities						
Listed						
In Hong Kong	358	–	358	–	–	–
Outside Hong Kong	80,832	17	80,849	46,543	17	46,560
	81,190	17	81,207	46,543	17	46,560
Unlisted	6,350	1,787	8,137	6,793	1,824	8,617
	87,540	1,804	89,344	53,336	1,841	55,177
Total investment securities	87,540	13,991	101,531	53,594	16,394	69,988
Total held-to-maturity securities and investment securities	87,540	3,253,165	3,340,705	53,594	1,266,375	1,319,969
Market value of listed securities						
Debt securities	–	1,671,082	1,671,082	–	739,159	739,159
Equity securities	131,220	1,789	133,009	53,147	1,568	54,715
	131,220	1,672,871	1,804,091	53,147	740,727	793,874

## 19. HELD-TO-MATURITY SECURITIES AND INVESTMENT SECURITIES (CONT'D)

Issued by :

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>US\$'000</b>	US\$'000
– Central governments and central banks	<b>580,567</b>	101,683
– Public sector entities	<b>546,526</b>	208,584
– Banks and other financial institutions	<b>2,070,520</b>	884,876
– Corporate entities	<b>142,424</b>	123,789
– Others	<b>668</b>	1,037
	<b>3,340,705</b>	1,319,969

During the year, held-to-maturity securities shown in Notes 19 and 25 (b) with a amortised cost of US\$389 million (1999 : US\$128 million) were disposed of at a profit of US\$630,000 (1999 : US\$6,049,000) being recognised in the profit and loss account. One of the major reasons for disposal of these held-to-maturity securities was to reduce the short term Treasury Bills holdings due to the Year 2000 plan after the Hong Kong Monetary Authority's announcement of Year 2000 arrangement on 6th September, 1999.

In addition, certain listed investment securities with total carrying value of US\$70 million (1999 : Nil) were pledged with a bank to secure short-term bank loan facilities.

## 20. DEVELOPMENT PROPERTIES

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>US\$'000</b>	US\$'000
Cost as at 30th June	<b>1,137,954</b>	1,592,250
Less: attributable loss	<b>(32,880)</b>	(31,543)
Less: provision for foreseeable loss	<b>(91,476)</b>	(169,870)
Less: progress instalments received and receivable	<b>(116,419)</b>	(568,415)
Less: transfer to property held for resale (Note 21)	<b>(94,325)</b>	–
	<b>802,854</b>	822,422

The amount of development properties expected to be recovered after more than one year is US\$180,174,000 (1999 : US\$409,907,000).



## 21. PROPERTIES HELD FOR RESALE

	The Group	
	2000	1999
	US\$'000	US\$'000
Transfer from investment properties (Note 14)	53,941	—
Transfer from development properties (Note 20)	94,325	—
Less : provision for foreseeable loss	(46,581)	—
	<u>101,685</u>	<u>—</u>

## 22. ADVANCES TO CUSTOMERS LESS PROVISIONS

Advances to customers less provisions are relating to the banking operations and can be analysed as follows:

	The Group	
	2000	1999
	US\$'000	US\$'000
Advances to customers (Note a)	8,578,937	8,562,378
Provisions for bad and doubtful loans and advances (Note b)		
Specific	(92,229)	(85,680)
General	(105,319)	(105,251)
	<u>8,381,389</u>	<u>8,371,447</u>

Included in advances to customers are :

Trade bills	83,535	82,150
General provisions for bad and doubtful loans and advances	(824)	(816)
	<u>82,711</u>	<u>81,334</u>

(a) Net cash investment in finance lease and hire purchase debtors included in advances to customers are as follows:

	The Group	
	2000	1999
	US\$'000	US\$'000
Finance lease debtors	16,424	6,469
Hire purchase debtors	643,199	714,968
	<u>659,623</u>	<u>721,437</u>

At 30th June, 2000, the cumulative cost of assets acquired by the Group for the purpose of letting under the above finance leases and hire purchase contracts amounted to approximately US\$28 million (1999 : US\$15 million) and US\$743 million (1999 : US\$800 million) respectively.

The rentals receivable by the Group during the year in respect of finance leases and hire purchase contracts amounted to approximately US\$12 million (1999 : US\$10 million) and US\$463 million (1999 : US\$336 million) respectively.

## 22. ADVANCES TO CUSTOMERS LESS PROVISIONS (CONT'D)

### (b) Provisions for bad and doubtful loans and advances:

	The Group 2000			Suspended interest US\$'000
	Specific US\$'000	General US\$'000	Total US\$'000	
At 1st July	85,680	105,251	190,931	38,846
Amounts written off	(50,320)	–	(50,320)	(8,418)
Recoveries of advances written off in previous years	11,694	–	11,694	–
Charge to profit and loss account	46,249	690	46,939	–
Interest suspended during the year	–	–	–	23,782
Suspended interest recovered	–	–	–	(4,200)
Exchange adjustments	(1,074)	(622)	(1,696)	(250)
At 30th June	<u>92,229</u>	<u>105,319</u>	<u>197,548</u>	<u>49,760</u>

	The Group 1999			Suspended interest US\$'000
	Specific US\$'000	General US\$'000	Total US\$'000	
At 1st July	33,263	112,841	146,104	10,388
Amounts written off	(67,498)	–	(67,498)	(5,169)
Recoveries of advances written off in previous years	2,471	–	2,471	–
Charge / (release) to profit and loss account	118,001	(7,558)	110,443	–
Interest suspended during the year	–	–	–	37,747
Suspended interest recovered	–	–	–	(2,627)
Exchange adjustments	(557)	(32)	(589)	(1,493)
At 30th June	<u>85,680</u>	<u>105,251</u>	<u>190,931</u>	<u>38,846</u>

### (c) The total advances, net of suspended interest, on which interest has been placed in suspense or has ceased to accrue are as follows:

	The Group 2000		1999	
	US\$'000	% of Total Advances	US\$'000	% of Total Advances
Gross advances	335,113	3.91	347,289	4.06
Specific provisions	<u>(85,211)</u>		<u>(74,787)</u>	
	<u>249,902</u>		<u>272,502</u>	

The specific provisions were made after taking into account the value of collateral in respect of such advances.

## 23. OTHER ASSETS

	The Group		The Company	
	2000	1999	2000	1999
	US\$'000	US\$'000	US\$'000	US\$'000
Accrued interest	140,085	64,959	—	—
Other accounts	226,293	214,641	40	64
	<u>366,378</u>	<u>279,600</u>	<u>40</u>	<u>64</u>

## 24. OTHER INVESTMENTS IN SECURITIES

	The Group	
	2000	1999
	US\$'000	US\$'000
Debt securities		
Listed		
In Hong Kong	57,643	36,964
Outside Hong Kong	4,142	11,722
	<u>61,785</u>	<u>48,686</u>
Unlisted	173,493	256,891
	<u>235,278</u>	<u>305,577</u>
Equity securities		
Listed		
In Hong Kong	29,887	14,816
Outside Hong Kong	98,142	109,064
	<u>128,029</u>	<u>123,880</u>
Unlisted	770	—
	<u>128,799</u>	<u>123,880</u>
	<u>364,077</u>	<u>429,457</u>
Market value of other listed investments in securities		
Debt securities	61,785	48,686
Equity securities	128,029	123,880
	<u>189,814</u>	<u>172,566</u>
Issued by:		
– Central governments and central banks	31,429	130,310
– Public sector entities	124,589	42,070
– Banks and other financial institutions	78,394	123,412
– Corporate entities	129,665	133,665
	<u>364,077</u>	<u>429,457</u>

## 25. CASH AND SHORT TERM FUNDS

	The Group		The Company	
	2000	1999	2000	1999
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and balances with banks				
and other financial institutions	<b>326,350</b>	284,277	<b>2</b>	1
Money at call and short notice (Note a)	<b>1,899,030</b>	2,687,257	—	—
Treasury bills (including Exchange Fund Bills) (Note b)	<b>1,914,440</b>	2,210,316	—	—
	<b>4,139,820</b>	5,181,850	<b>2</b>	1

(a) Money at call and short notice represents deposits of up to a maximum of one month to maturity.

(b) The analysis of treasury bills (including Exchange Fund Bills) is follows:

	The Group	
	2000	1999
	US\$'000	US\$'000
<b>Held-to-maturity securities</b>		
Listed outside Hong Kong	<b>309,642</b>	749,349
Unlisted	<b>468,757</b>	750,675
	<b>778,399</b>	1,500,024
<b>Other investments</b>		
Unlisted	<b>1,136,041</b>	710,292
	<b>1,914,440</b>	2,210,316

Market value of listed treasury bills amounted to US\$309,629,000 (1999 : US\$749,448,000).

## 26. OTHER PAYABLES AND PROVISIONS

	The Group		The Company	
	2000	1999	2000	1999
	US\$'000	US\$'000	US\$'000	US\$'000
Other accounts and provisions	<b>1,803,050</b>	1,733,329	<b>454</b>	504
Amounts due to associates	<b>23</b>	6,787	—	—
Amounts due to jointly controlled entities	<b>75,858</b>	64,690	—	—
	<b>1,878,931</b>	1,804,806	<b>454</b>	504

## 27. CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

At 30th June, 2000, the current portion of bank loans and other borrowings are as follows:

	The Group		The Company	
	2000 US\$'000	1999 US\$'000	2000 US\$'000	1999 US\$'000
Bank loans				
– secured	95,215	124,705	–	–
– unsecured	62,187	52,767	26,914	34,649
	<u>157,402</u>	<u>177,472</u>	<u>26,914</u>	<u>34,649</u>
Unsecured short-term notes	37,486	–	–	–
Long term notes and bonds repayable within 1 year				
– secured	–	85,631	–	–
– unsecured	81,500	–	–	–
	<u>276,388</u>	<u>263,103</u>	<u>26,914</u>	<u>34,649</u>

The bank loans are secured by the following:

- legal mortgages on investment properties (see Note 14);
- certain long-term equity investments (see Note 19); and
- securities with a total market value of approximately US\$35 million. The securities pledged were not the assets of the Group and were held as collateral against secured facilities provided by a subsidiary to its margin customers. The Group has obtained written authorisations from the owners to pledge their securities for loans utilised by the Group to provide margin finance facilities to its customers.

## 28. NON-CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

	The Group		The Company	
	2000 US\$'000	1999 US\$'000	2000 US\$'000	1999 US\$'000
Bank loans				
– secured (Note 27)	386,776	437,114	–	–
– unsecured	346,136	245,000	–	–
	<u>732,912</u>	<u>682,114</u>	<u>–</u>	<u>–</u>
Long term notes and bonds				
7.75% Subordinated Notes (Note (i))	261,620	268,620	–	–
Unsecured medium term notes	25,952	–	–	–
Unsecured fixed rate bonds (Note (ii))	115,341	87,977	–	–
Unsecured floating rate notes (Note (iii))	180,000	261,500	–	–
	<u>582,913</u>	<u>618,097</u>	<u>–</u>	<u>–</u>
	<u>1,315,825</u>	<u>1,300,211</u>	<u>–</u>	<u>–</u>

## 28. NON-CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS (CONT'D)

- (i) The fixed rate 7.75% Subordinated Notes ("Notes") with an aggregate principal amount of US\$350 million were issued by Dao Heng Bank Limited ("DHB") on 24th January, 1997. The Notes will mature on 24th January, 2007. Interest will be paid on 24th January and 24th July of each year, commencing 24th July, 1997.

During the year, DHB repurchased US\$7 million (1999 : US\$81 million) of the Notes which were subsequently cancelled. The profit on repurchase has been included in the profit and loss account. As at 30th June, 2000, the outstanding amount of the Notes issued by DHB was US\$261.6 million (1999 : US\$268.6 million).

- (ii) The unsecured fixed rate bonds included:

- a) The S\$150 million (approximately US\$86.5 million) unsecured fixed rate bonds due 2002 were issued on 2nd September, 1997 at face value with fixed interest rate at 5.35% p.a.. The Bonds are redeemable at 100% of their principal amounts on 2nd September, 2002.
- b) The S\$50 million (approximately US\$28.8 million) unsecured fixed rate bonds due 2002 were issued on 7th July, 1999 with fixed interest rate at 6.875% p.a.. The Bonds are redeemable at 100% of their principal amount on 7th July, 2002.

- (iii) The US\$180 million floating rate notes due October 2001 at face value with interest rate of 0.8% p.a. above the London Interbank Offer Rate. The floating rate notes are guaranteed by the Company.

The Group's bank loans, overdrafts and other borrowings were repayable as follows:

	The Group					
	Bank loans	2000 Other borrowings	Total	Bank loans	1999 Other borrowings	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
On demand or within 1 year	157,402	118,986	276,388	177,472	85,631	263,103
After 1 year but within 2 years	152,195	180,000	332,195	228,584	—	228,584
After 2 years but within 5 years	580,717	141,293	722,010	453,530	349,477	803,007
After 5 years	—	261,620	261,620	—	268,620	268,620
	<u>732,912</u>	<u>582,913</u>	<u>1,315,825</u>	<u>682,114</u>	<u>618,097</u>	<u>1,300,211</u>
	<u>890,314</u>	<u>701,899</u>	<u>1,592,213</u>	<u>859,586</u>	<u>703,728</u>	<u>1,563,314</u>

The Group also accepts deposits from customers and banks in the normal course of its banking business.



## 29. DEFERRED TAXATION

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>US\$'000</b>	US\$'000
As at 1st July	<b>8,796</b>	18,137
Amount written back during the year (Note 7)	<b>(4,881)</b>	(9,474)
Disposal of a subsidiary's investment property	<b>(1,845)</b>	–
Exchange adjustments	<b>(43)</b>	133
As at 30th June	<b>2,027</b>	8,796

- (i) Deferred taxation arises from timing differences in the treatment of profit recognition methods in respect of development properties for accounting and taxation purposes and the unrealised gains and losses arising from marking securities to market.
- (ii) At the balance sheet date, the major components of the unprovided deferred tax assets are as follows:

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>US\$'000</b>	US\$'000
Depreciation allowances in excess of depreciation charges	<b>(5,823)</b>	(5,779)
General provisions for bad and doubtful loans and advances	<b>16,694</b>	16,721
Tax losses	<b>48,802</b>	33,901
Provision for foreseeable loss	<b>17,779</b>	25,390
Others	<b>1,926</b>	–
	<b>79,378</b>	70,233

The surplus arising on the revaluation of premises does not constitute a timing difference as the disposal of these assets at their carrying value would result in capital gains which are not subject to tax.

- (iii) No provision for deferred taxation has been made in the accounts for taxation which would be payable on the distribution of the Group's share of profits retained by overseas subsidiaries.
- (iv) There is no significant deferred taxation liability not provided for.

## 30. MINORITY INTERESTS

Minority interests include the interests of preference shareholders in subsidiaries of US\$4,433,000 (1999 : US\$123,255,000).

## 31. SHARE CAPITAL

	The Group and The Company	
	2000 US\$'000	1999 US\$'000
Authorised:		
1,000,000,000 shares of US\$0.50 each	<b>500,000</b>	500,000
Issued and fully paid:		
426,631,086 shares of US\$0.50 each	<b>213,316</b>	213,316

Share Option Scheme:

A Share Option Scheme ("Scheme") was adopted by the Company on 30th July, 1991 under which eligible employees (including directors) of the Group are entitled to the grant of share options for subscription of shares in the Company.

Options were granted in respect of a total of 9,800,000 ordinary shares under the Scheme to various directors and executives of the Company. Such options are exercisable at the subscription price of HK\$20.33 per share during the period from 12th November, 1999 to 12th February, 2004.

During the year, none of these options were exercised.

## 32. RESERVES

	The Group		The Company	
	2000 US\$'000	1999 US\$'000	2000 US\$'000	1999 US\$'000
(a) Share premium				
As at 1st July and 30th June	<b>235,122</b>	235,122	<b>235,122</b>	235,122
(b) Investment property revaluation reserve				
As at 1st July	<b>8,114</b>	63,186	—	—
Surplus/(deficit) arising on revaluation of investment properties	<b>9,348</b>	(55,557)	—	—
Surplus arising from revaluation of investment properties of an associate	<b>43,580</b>	—	—	—
Transfer to other property revaluation reserve	<b>13,551</b>	—	—	—
Realised on				
– deemed disposal of a subsidiary's investment property portfolio	<b>6,485</b>	—	—	—
– disposal of subsidiaries and associates	<b>(55,062)</b>	—	—	—
Exchange adjustments	<b>(587)</b>	485	—	—
As at 30th June	<b>25,429</b>	8,114	—	—

## 32. RESERVES (CONT'D)

	The Group		The Company	
	2000 US\$'000	1999 US\$'000	2000 US\$'000	1999 US\$'000
(c) Other property revaluation reserve				
As at 1st July	64,426	64,489	—	—
Transfer from investment property revaluation reserve	(13,551)	—	—	—
Transfer to retained profits on disposal of fixed assets	(9,468)	—	—	—
Share of revaluation surplus of associates	1,771	—	—	—
Exchange adjustments	(269)	(63)	—	—
As at 30th June	42,909	64,426	—	—
(d) Capital and other reserves				
As at 1st July	56,074	66,830	—	—
Capital reserve arising on share investment in subsidiaries	13,020	1,532	—	—
Net dilution loss of subsidiary and associates	(1,745)	(21,643)	—	—
Transfer from retained profits of subsidiaries and associates	4,220	9,514	—	—
Exchange adjustments	(298)	(159)	—	—
As at 30th June	71,271	56,074	—	—
(e) Contributed surplus				
As at 1st July and 30th June	36,121	36,121	14,439	14,439
(f) General reserve				
As at 1st July and 30th June	131,929	131,929	77,042	77,042
(g) Exchange differences on translation of net investments in subsidiaries and associates				
As at 1st July	(156,007)	(181,146)	6,744	6,744
Transfer to retained profits on disposal of an associate	—	10,819	—	—
Current year	(22,421)	14,320	—	—
As at 30th June	(178,428)	(156,007)	6,744	6,744

## 32. RESERVES (CONT'D)

	The Group		The Company	
	2000	1999	2000	1999
	US\$'000	US\$'000	US\$'000	US\$'000
(h) Retained profits				
As at 1st July	814,890	789,300	85,640	68,647
Transfer to capital reserve by subsidiaries and associates	(4,220)	(9,514)	–	–
Transfer from exchange difference on disposal of an associate	–	(10,819)	–	–
Transfer from other property revaluation reserve on disposal of fixed assets	9,468	–	–	–
Retained profit for the year	58,191	45,923	20,678	16,993
As at 30th June	878,329	814,890	106,318	85,640
TOTAL RESERVES	1,242,682	1,190,669	439,665	418,987
Retained in				
Company and subsidiaries	1,193,325	1,132,328		
Associates	46,916	59,062		
Jointly controlled entities	2,441	(721)		
	1,242,682	1,190,669		

### Notes:

- (1) The contributed surplus is governed by Section 54 of the Companies Act 1981 of Bermuda.

The contributed surplus is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

- (2) The application of share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda.

- (3) The capital and other reserves, the exchange difference account, the investment property revaluation reserve and the other property revaluation reserve have been set up and will be dealt with in accordance with the accounting policies adopted for goodwill arising on subsidiaries, associates and jointly controlled entities, foreign currency translation and the revaluation of investment properties and land and buildings held for own use.

- (4) Distributable reserves of the Company as at 30th June, 2000 amounted to US\$204,543,000 (1999 : US\$183,865,000).

## 33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of operating profit to net cash inflow from operating activities:

	The Group	
	2000	1999
	US\$'000	US\$'000
Operating profit	220,241	131,569
Finance cost for non-banking operations	51,222	62,016
Interest income for non-banking operations	(8,740)	(4,051)
Dividend income	(1,740)	(2,171)
Depreciation	24,652	22,238
Provision for bad and doubtful loans and advances	46,939	110,443
Advances written off net of recoveries	(38,626)	64,953
Provision for development properties	8,246	168,521
(Write back) / provision for investment in associates and jointly controlled entities	(1,866)	48,265
Provision for investment properties	–	60,158
Net (profit) / loss on disposal of investment properties	(31,620)	714
Net profit on disposal of interest in associates	–	(156,554)
Net loss on disposal of fixed assets	4,347	876
Loss on deemed disposal of a subsidiary's property portfolio	38,091	–
Write back on provision for diminution in value of investments	(11,050)	(380)
(Gain) / loss on disposal of investments securities	(9,069)	5,470
Amortisation of discount of held-to-maturity securities and investment securities	(89,714)	(15,252)
Profit on early redemption of long term notes and bonds	(512)	(23,341)
Net cash inflow from trading activities	200,801	473,474
Increase in advances to customers and other accounts	(99,979)	(208,653)
Decrease / (increase) in certificates of deposit	159,589	(4,068)
Decrease in other investment in securities	58,165	235,698
(Increase) / decrease in trade bills	(1,774)	17,957
(Increase) / decrease in development properties	(19,924)	258,833
Decrease in properties held for resale	–	32,200
Increase in other payables and provisions	102,140	564,815
Decrease in insurance funds	(335)	(179)
Increase in current, fixed, savings and other deposits	1,082,382	1,004,120
Decrease in deposits and balances of other banks	(5,690)	(271,600)
Net cash inflow from operating activities	1,475,375	2,102,597

## 33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

### (b) Analysis of changes in financing during the year:

	The Group					
	Certificates of deposit	Short term bank loans	Long term bank loans	Long term notes and bonds	Other borrowings	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1st July 1999	962,832	140,246	682,114	618,097	85,631	2,488,920
Redemption of certificates of deposit	(807,914)	—	—	—	—	(807,914)
Issuance of certificates of deposit	754,923	—	—	—	—	754,923
Short term bank loans	—	(67,893)	—	—	—	(67,893)
Long term bank loans repayable within 5 years	—	—	56,904	—	—	56,904
Long term notes and bonds	—	—	—	47,821	—	47,821
Transfer from long term notes and bonds to other borrowings	—	—	—	(81,500)	81,500	—
Other short term borrowings	—	—	—	—	(47,029)	(47,029)
Effect of foreign exchange difference	(4,094)	(1,166)	(6,106)	(1,505)	(1,116)	(13,987)
<b>Balance as at 30th June 2000</b>	<b>905,747</b>	<b>71,187</b>	<b>732,912</b>	<b>582,913</b>	<b>118,986</b>	<b>2,411,745</b>
Balance as at 1st July 1998	998,035	375,396	668,307	783,843	41,736	2,867,317
Redemption of certificates of deposit	(767,891)	—	—	—	—	(767,891)
Issuance of certificates of deposit	733,833	—	—	—	—	733,833
Short term bank loans	—	(234,311)	—	—	—	(234,311)
Long term bank loans repayable within 5 years	—	—	10,886	—	—	10,886
Long term notes and bonds	—	—	—	(166,531)	—	(166,531)
Other short term borrowings	—	—	—	—	43,943	43,943
Effect of foreign exchange difference	(1,145)	(839)	2,921	785	(48)	1,674
Balance as at 30th June 1999	962,832	140,246	682,114	618,097	85,631	2,488,920

### (c) Analysis of the balances of cash and cash equivalents as shown in the consolidated balance sheet:

	The Group	
	2000	1999
	US\$'000	US\$'000
Cash and short term funds	4,139,820	5,181,850
Placements with banks	1,366,783	1,043,893
Bank loans and overdrafts	(86,215)	(37,226)
	<b>5,420,388</b>	<b>6,188,517</b>



## 33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

### (d) Reconciliation with bank loans and overdrafts as shown in the consolidated balance sheet:

	The Group	
	2000	1999
	US\$'000	US\$'000
Bank loans and overdrafts		
– secured (Note 27)	95,215	124,705
– unsecured (Note 27)	62,187	52,767
	<u>157,402</u>	<u>177,472</u>
Classified as:		
maturity within three months	86,215	37,226
maturity after three months	71,187	140,246
	<u>157,402</u>	<u>177,472</u>

### (e) Deemed disposal of a subsidiary:

	The Group
	2000
	US\$'000
Net assets disposed of:	
Investment properties	54,722
Fixed assets	76,956
Interest in jointly controlled entities	21,788
Investment securities	257
Other assets	3,718
Other liabilities	(1,180)
Taxation	(261)
Minority interests	(61,372)
Net assets disposed	<u>94,628</u>
Add: Revaluation deficit realised	6,485
Less: Loss on deemed disposal of subsidiary's property portfolio	(38,091)
Interest in an associate acquired	(64,337)
Cash of subsidiary disposed	<u>(1,315)</u>

## 34. STAFF RETIREMENT SCHEME

The Group operates a non-contributory defined contribution provident fund scheme ("the Scheme") under which benefits are paid on retirement or on leaving employment. Contributions to the defined contribution scheme are charged to the profit and loss account for the year. The assets of the Scheme are held separately from those of the Group in independently administered funds. The contributions are made by the Group based on 10 percent of employees' monthly salaries. The Group's contributions to the Scheme may be reduced by contributions forfeited by those employees who leave the Scheme prior to vesting fully in the contributions. The amount so utilised in the course of the year ended 30th June, 2000 was US\$513,000 (1999 : US\$541,000) and the amount available for such use as at 30th June, 2000 was US\$2,631,000 (1999 : US\$1,618,000).

With the introduction of Mandatory Provident Fund ("MPF"), the Group has decided to wind up the Scheme with effect from 1st December, 2000. The Group will set up a MPF scheme and the accrued benefits under the Scheme as at 30th November, 2000 will be transferred to the Employer's Voluntary Contribution account of the Dao Heng MPF Master Trust Plan.

## 35. POST BALANCE SHEET EVENTS

- (a) On 5th September, 2000, the Group acquired from imGO Limited ("imGO") the entire issued share capital of Scorewell Corporation ("Scorewell") and the net amount due by Scorewell to imGO at a cash consideration of HK\$5,000,000 pursuant to an agreement dated 25th March, 2000. Pursuant to the same agreement, the Group will also acquire the entire issued share capital of Reunification Properties Limited ("Reunification") and the net amount due by Reunification to imGO for a cash consideration of HK\$107,507,000.
- (b) On 21st September, 2000, Dao Heng Bank Limited ("DHB") entered into a conditional agreement with Banco de Oro Universal Bank ("BDO") of the Philippines to exchange its 60% interest in Dao Heng Bank, Inc. ("DHBI") with BDO, in return for the issue to DHB of about 103 million fully paid shares of BDO. Simultaneously, Guoco Holdings (Philippines), Inc., an associate of the Company sold its 40% interest in DHBI to BDO for cash. DHBI's banking business will be merged into and absorbed by BDO. Completion of these transactions and the merger will take place simultaneously, subject to various conditions, including obtaining of relevant regulatory approvals. Together with a further acquisition of approximately 12 million BDO shares by DHB at completion for cash, DHB's interest in BDO will be less than 20% of the enlarged issued share capital of BDO.

## 36. CONTINGENT LIABILITIES

	The Group	
	2000	1999
	US\$'000	US\$'000
Contingent liabilities relating to banking operations		
Direct credit substitutes	77,739	65,805
Transaction-related contingencies	26,504	31,618
Trade-related contingencies	282,639	253,005
Other commitments:		
With an original maturity of under 1 year		
or which are unconditionally cancellable	3,469,409	2,537,390
	<b>3,856,291</b>	<b>2,887,818</b>

## 36. CONTINGENT LIABILITIES (CONT'D)

As at 30th June, 2000, there were contingent liabilities in respect of guarantees given to bankers by the Company to secure banking facilities to the extent of US\$361,158,000 (1999 : US\$408,917,000) granted to group companies.

As at 30th June, 2000, there were three put option agreements entered into by the Company whereby imGO was granted the right ("Options") to require the Company to purchase all (but not part) of imGO's interest in the shares in each of the property-owning companies at an aggregate consideration of about HK\$606,745,000. The Options are exercisable during the period from 30th May, 2001 to 29th November, 2001.

## 37. COMMITMENTS

- (a) As at 30th June, 2000, the Group had capital commitments as follows:

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>US\$'000</b>	US\$'000
Authorised and contracted for	<b>7,050</b>	14,911
Authorised but not contracted for	<b>5,112</b>	7,878
	<b>12,162</b>	22,789

- (b) As at 30th June, 2000, the Group had commitments under operating leases to make payments in the next year as follows:

	<b>The Group</b>			
	<b>2000</b>		1999	
	<b>Properties</b>	<b>Others</b>	Properties	Others
	<b>US\$'000</b>	<b>US\$'000</b>	US\$'000	US\$'000
Leases expiring:				
Within 1 year	<b>3,197</b>	<b>1,443</b>	1,547	1,092
After 1 year but within 5 years	<b>5,764</b>	<b>157</b>	5,616	1,867
After 5 years	<b>1,238</b>	<b>23</b>	233	5
	<b>10,199</b>	<b>1,623</b>	7,396	2,964

- (c) There were also commitments in respect of forward foreign exchange contracts and interest rate swaps relating to the normal banking operations as at 30th June, 2000.

## 38. MATERIAL RELATED PARTY TRANSACTIONS

### (a) Banking transactions

Transactions with companies in the Hong Leong Company (Malaysia) Berhad Group ("HLCM")

During the year, the Company's subsidiaries entered into a number of transactions in the normal course of business with companies in the HLCM Group, Messrs. Quek Leng Chan, Kwek Leng Hai and Kwek Leng San are shareholders of HLCM, including deposit and correspondent banking transactions. The transactions were priced based on the relevant market rates at the time of each transaction, and were under the same terms as those available to the independent counterparties and customers.

Information relating to income and expenses from these transactions during the year and balance outstanding at the balance sheet date is set out below:-

#### (i) Income and expense for the year ended 30th June

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>US\$'000</b>	US\$'000
Interest expense	<b>322</b>	221
Interest income	<b>192</b>	876

#### (ii) Balance as at 30th June

	<b>The Group</b>	
	<b>2000</b>	1999
	<b>US\$'000</b>	US\$'000
Current, fixed, savings and other deposits	<b>1,004</b>	1,565
Cash and short term funds	<b>10,765</b>	52,192

### (b) Rental income

Rental income of US\$458,000 (1999 : US\$862,000) were received and receivable by subsidiaries of the Group from companies in the HLCM Group pursuant to lease agreements, which are on normal commercial terms.

### (c) Management fee

Certain companies in the Group have entered into management services agreements, determinable by either party giving six months' notice, with Hong Leong Overseas (H.K.) Limited ("HLO"), a subsidiary of the Company's substantial shareholder, for provision of general management services to the companies by HLO. Total management fees (mainly an annual fee equal to three percent of the consolidated profit before tax of the companies) paid and payable to HLO for the year ended 30th June, 2000 amounted to US\$8.2 million (1999 : US\$5.7 million).

## 38. MATERIAL RELATED PARTY TRANSACTIONS (CONT'D)

### (d) Staff retirement benefit scheme

The Group maintains a staff retirement benefit scheme in which the investment manager and the administrator are subsidiaries of the Company. During the year ended 30th June, 2000, the Group made a total contribution of US\$8.2 million to the scheme (1999 : US\$8.4 million).

### (e) Transaction with jointly controlled entities

The Group maintains an interest free shareholders' loan to a jointly controlled entity, Hutchison Dao Heng Card Limited ("HDHCL"). The loan balance as at 30th June, 2000 amounted to US\$1.9 million (1999 : US\$1.9 million). Deposit taken from the jointly controlled entity as at 30th June, 2000 was US\$57.7 million (1999 : US\$56.7 million). Interest expense for the year ended 30th June, 2000 payable to HDHCL amounted to US\$4.5 million (1999 : US\$5.2 million). Gross management fee income from HDHCL to the Group for the year ended 30th June, 2000 amounted to US\$12.6 million (1999 : US\$14.4 million). The transactions were priced based on relevant market rates at the time of each transaction, and were under the normal commercial terms.

### (f) Transactions with key management personnel

Transactions with key management personnel of the Group include their close family members and companies controlled or significantly influenced by them. However, an entity having one or more common directors with the Group would not be regarded as a related party of the Group unless these directors would at least be able to significantly influence the policies of the entity and the Group in their mutual dealings.

Loans and credit card advances balances as at 30th June, 2000 for key management personnel of the Group were US\$4.4 million (1999 : US\$3.5 million), all interest rates in connection with the credit facilities extended are under terms and conditions normally applicable to customers of comparable standing. The interest income from key management personnel receivable by the Group for the year ended 30th June, 2000 amounted to US\$0.1 million (1999 : US\$0.1 million).

### (g) Loans to associates

As at 30th June, 2000, the Company had advanced an aggregate of RM0.1 million (1999 : RM46.4 million) to an associate pro rata to its interest in it. The loan is unsecured and bears interest at the rate of 6% per annum.

As at 30th June, 2000, the Company's subsidiary had advanced an aggregate of US\$0.8 million (1999 : Nil) to associates. The loans are interest free, unsecured and with no fixed terms of repayment.

### (h) Transaction with an associate

During the year, a subsidiary purchased securities from an associate for a consideration of US\$3.4 million.

### (i) Disposal of associates

During the year, a subsidiary disposed its interest in certain associates to companies in the HLCM Group for a total consideration of US\$4.3 million.

## **39. COMPARATIVE FIGURES**

The presentation and classification of items in the financial statements have been changed due to the adoption of the requirements of Statement of Standard Accounting Practice 2.101 (revised) "Presentation of financial statements" ("SSAP 1 (revised)"). As a result, additional line items have been included on the face of the consolidated profit and loss account and the balance sheets as required by SSAP1 (revised) such as other revenue, finance cost, an analysis of expenses, and trade and other receivables. Comparative figures have been reclassified to conform with the current year's presentation.

## **40. HONG KONG DOLLAR AMOUNTS**

The Hong Kong dollar figures shown in the consolidated profit and loss account and the balance sheets are for information only. They are translated from United States dollars at the rates ruling at the respective financial year ends.



# List of Properties

## A. MAJOR DEVELOPMENT PROPERTIES OF THE SUBSIDIARIES

Property	Intended Use	Stage of Completion	Expected Temporary Occupation Permit ("TOP") date	Site area <i>sq. m</i>	Gross floor area <i>sq. m</i>	Group's interest %
Aquarius By The Park Situating at Bedok Reservoir	Residential	Phase 1 Architectural works in progress	12/2000	40,613	86,760	54
	Residential	Phase 2 Architectural works in progress	11/2001			
Sanctuary Green Site Situated at Tanjong Rhu Road	Residential	Piling completed	12/2003	23,551	66,040	48
Nathan Place Site Situated at Nathan Road	Residential	Planning	6/2003	4,421	6,189	43
The Gardens at Bishan Situated at Sin Ming Ave/Sin Ming Walk	Residential	Piling completed	11/2003	34,949	87,357	48
Paterson Residence Situated at Paterson Road	Residential	Planning	3/2004	7,454	15,652	54
Site Situated at Sin Ming Ave/Bright Hill Drive	Residential	Planning	4/2004	6,800	19,038	54
Robinson Centre 61 Robinson Road	Commercial	Architectural works in progress	10/2000	1,405	15,733	54
Site Situated at Leonie Hill	Residential	Planning	9/2004	2,854	7,991	54
Site Situated at Meyer Road	Residential	Planning	5/2004	3,352	7,039	54
Site Situated at Paya Lebar Road	Residential	Planning	1/2004	12,323	25,878	54

## B. MAJOR PROPERTIES OF THE SUBSIDIARIES HELD FOR INVESTMENT

Location	Existing Use	Tenure of Land
Tung Centre 20 Collyer Quay Singapore 049319	Office rental	999 years lease w.e.f. 5/11/1862
A-Z Building 140, Paya Lebar Road Singapore 409015	Industrial rental	Freehold
Parkway Parade #11-04, #19-02 to #19-05 80 Marine Parade Road Singapore 449269	Office rental	99 years lease w.e.f. 17/8/1979