



CORPORATE INFORMATION

BOARD OF DIRECTORS

Quek Leng Chan – Chairman
Kwek Leng Hai – President, CEO
Sat Pal Khattar
Kwek Leng San
Peter Anthony Wakefield
Randolph Gordon Sullivan
Tan Lim Heng
Harry Richard Wilkinson
Jamal Al-Babtain

COMPANY SECRETARY

Doris W.N. Wong
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INTERNET WEBSITES OF OTHER SUBSIDIARIES

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

FINANCIAL CALENDAR

Interim results announcement	16th March, 2001
Closure of Register of Members	9th April, 2001 to 12th April, 2001
Interim dividend of HK\$0.20 per share payable on	17 April, 2001



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INTERIM RESULTS

The Board of Directors of Guoco Group Limited (“the Company” or “the Group”) is pleased to announce that the unaudited consolidated profit attributable to shareholders of the Group for the six months ended 31st December, 2000 is HK\$643 million, which represents an increase of 37% over the corresponding period last year. Basic earnings per share grew 37.3% to HK\$1.51. Consolidated shareholders’ funds have also expanded to HK\$11.8 billion, representing an increase of 4% over the last financial year end of 30th June, 2000.

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK\$0.20 per share amounting to HK\$85,326,000 (1999/2000 interim dividend: HK\$0.15 per share amounting to HK\$63,995,000) for the financial year ending 30th June, 2001 which will be payable on 17th April, 2001 to the shareholders whose names appear on the Register of Members on 12th April, 2001.

REVIEW OF OPERATIONS

DAO HENG BANK GROUP LIMITED (“DHBG”) – 71.3% OWNED BY THE GROUP

The unaudited profit attributable to shareholders of DHBG for the six months ended 31st December, 2000 is HK\$945 million, which represents an increase of 18% comparing with the corresponding period last year. Earnings per share are HK\$1.36.

As at 31st December, 2000, total deposits were HK\$118.2 billion, reflecting a growth rate of 4.3% compared with the previous financial year. Total loans grew 2.5% to HK\$67.0 billion with the modest result attributed to low transaction volumes in the property market combined with continued slack credit demand from the business sector. DHBG’s loans to deposits ratio of 56.7% and loans to assets ratio of 44.3% continue to remain at very conservative levels, providing ample opportunity for growth when loan demand picks up.

Shareholders’ funds increased 5.4% to HK\$13.2 billion with Dao Heng Bank Limited’s consolidated capital adequacy ratio at a solid 22.8% (of which the Tier 1 ratio was 18.4%). DHBG continued to exhibit a highly liquid balance sheet, with 50.8% of total assets held in the form of government securities, interbank placements, and negotiable securities. The average liquidity ratio of Dao Heng Bank Limited for the period was 52.4%.

The past six months has seen continued expansion of DHBG’s consumer banking franchise, through both the acquisition of new customers as well as the introduction of numerous new product offerings. The key thrust is to expand Dao Heng’s share of its customers’ total financial needs, thereby improving profitability by providing value-added products and services to its customers.

A key instrument to differentiate Dao Heng from its competitors is its advanced Customer Relationship Management System (“CRM”). By using the CRM, DHBG is able to develop an intimate understanding of its customers’ financial needs and preferences, allowing it to segment its customers into a wide array of different tiers, each designed to suit that segment’s needs. This effort will be particularly important in the year 2001, as DHBG prepares itself for the final phase of deposit deregulation in Hong Kong.



REVIEW OF OPERATIONS (CONT'D)

DAO HENG BANK GROUP LIMITED ("DHBG") – 71.3% OWNED BY THE GROUP (CONT'D)

Among the new products launched in DHBG's Personal Banking Division, particular emphasis is being directed to Wealth Management products and services. Yield-enhanced Deposits, Monthly Savings Plan, and sale of third party mutual funds are prominent among the new investment alternatives now being offered to DHBG's customers. In addition, for Premier Banking customers, Dao Heng has introduced a Personal Portfolio Planning Model which assists its Investment Consultants to discuss with customers their preferences for asset allocation based on their personal risk profile. This is the beginning of a concerted effort to penetrate the increasingly important area of Wealth Management, which converts relatively lower value-added deposits into higher value-added investment products, reflecting the changing paradigm of consumer banking which no longer looks solely at on-balance sheet products when evaluating customer relationships and profitability.

Dao Heng Card has exhibited another outstanding performance during the first half of the financial year. All of its key measurements, including cards-in-force, accounts receivable, merchant sales, cardholder spending and profitability, have been growing at a double-digit annualized growth rates. Further new products have been launched including Private Label Cards and Business Cards for the SME sector, as well as Platinum Cards for DHBG's high net-worth customers.

Mortgage Banking Division continues to refine its efficiency and solidify its position as one of the top five mortgage originators in the Hong Kong market. DHBG's state of the art Call Centre, DaoHeng Direct, has excelled in its penetration of the personal line insurance market, with particular emphasis on selling policies to consumers for home-related purposes including our innovative Domestic Helper Insurance policy. Excellent results have been achieved in both Travel and Accident policies. Building upon this experience, DHBG's newly established wholly-owned subsidiary, Dao Heng Assurance Limited will commence operations and gradually introduce a range of bancassurance products beginning in the second quarter of the year 2001.

Demand for business banking related products and services is still sluggish, due to the extended recession and its aftermath. Within this context, progress has been made in introducing various new products and programs to penetrate the market, particularly the SME segment. Another major advance for our Commercial Banking is the launch of the first phase of our B2B program. DHBG will soon be offering cash management services over the web, as well as a bills inquiry service capability for trade finance transactions. These features will be expanded into a broader range of trade finance capabilities later this year.

Dao Heng Markets continues to be one of the major players in the domestic capital market, consistently ranking in the top ten participants for the debt capital markets in Hong Kong. In certain sub-markets, such as market making in exchange fund bills and notes and other quasi-government instruments, Dao Heng ranks in the top two or three in terms of market turnover. The first half year also saw the introduction of bond trading over the internet, as well as further penetration of sales of its yield-enhanced deposits and bonds to retail customers.

FIRST CAPITAL CORPORATION LTD ("FCC") – 54.3% OWNED BY THE GROUP

For the six months ended 31st December, 2000, FCC reported a profit after tax and minority interests of S\$29.6 million, a decrease of 40% as compared to the previous corresponding period of S\$49.2 million, which included a non-recurring profit of S\$63.7 million from the sale of Century Square Development Ltd.



REVIEW OF OPERATIONS (CONT'D)

FIRST CAPITAL CORPORATION LTD ("FCC") – 54.3% OWNED BY THE GROUP (CONT'D)

FCC currently has four launched developments on the market: Aquarius By The Park, Sanctuary Green, The Gardens at Bishan and The Ladyhill (in which FCC has a 40% interest). The first phase of The Gardens at Bishan and the final phase of Aquarius By The Park were launched during the financial period under review. As at 16th March, 2001, FCC has achieved sales of 82% in Aquarius By The Park, 59% in Sanctuary Green and 14% in The Gardens at Bishan on units offered for sale. Depending on market demand, FCC may launch additional units in The Gardens at Bishan and Sanctuary Green for sale. Although buying sentiment in the upgraders' market was subdued, sales in the high-end residential property market were encouraging. This was evidenced by the sell-out of offered units in The Ladyhill during its soft launch in September last year. Unlike the weaker sentiment in the residential property market, the office sector enjoyed healthy demand. FCC's commercial properties, Tung Centre and Robinson Centre, are enjoying 100% occupancy.

FCC did not acquire any development sites during the period under review. FCC's current land bank is approximately 1.7 million sq.ft. FCC's fund management division reported a small trading profit of S\$0.2 million which is lower than the last corresponding period due to a much weaker stock market.

FCC's associates turned in a profit before tax of S\$34.2 million substantially contributed by Benchmark Group.

imGO LIMITED ("imGO") – 17.6% OWNED BY THE GROUP AND 6.6% BY FCC

imGO reported a consolidated net profit after taxation of HK\$58 million.

In line with its expansion into the wireless sector, imGO has leased an office unit at Exchange Square, Hong Kong, as its new headquarters. imGO has recruited a Chief Executive Officer and is actively identifying investment opportunities in the Asian wireless sector, including greater China, Japan, Korea and Singapore. imGO announced on 5th February, 2001 the closing of a US\$10 million dollar funding round with imGO as lead investor in iSilk, a visionary developer of Natural Language Processing and Artificial Intelligence software applications for wireless and other internet platforms.

As previously reported, imGO has the option ("Put Option") during the period from 30th May, 2001 to 29th November, 2001 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 million. The properties subject to this Put Option are located at The Center, Wu Chung House and the Overseas Trust Bank Building in Hong Kong.

GUOCO PROPERTIES LIMITED ("GPL") – 55% OWNED BY THE GROUP AND 45% BY FCC

GPL has a 75% interest in Corporate Square, a 17-storey office development in Beijing, PRC.

Approximately 14% of the office space in Corporate Square had been sold and about 64% of the office areas had been leased out.

Management of GPL continues to market the remaining office space for sale at prevailing market prices. Negotiations with a potential buyer primarily for the East Core of Corporate Square with a total area of approximately 36,000 sq.m. are in progress.



REVIEW OF OPERATIONS (CONT'D)

GUOCO HOLDINGS (PHILIPPINES), INC. ("GHPI") – 36.6% OWNED BY THE GROUP

GHPI reported a consolidated net loss of Peso1.022 billion during the first six months of financial year 2000/2001. During this period, GHPI continued to make progress in its key strategies of divesting non-core and non-profitable assets to reduce debt and restructuring loans to improve financial position.

Assets involved in the divestment exercise included 24% equity interest in Zeus Holdings Inc., 40% interest in Dao Heng Bank Inc. and the Homelands Residential Development Project in Calamba Laguna.

In addition, convertible loan notes amounting to approximately Peso800 million with a five-year maturity were also issued in December 2000 to retire an existing bank loan.

As for Pepsi-Cola Products Philippines Inc. ("PCPPI"), strict discipline is being instilled to actively manage its operations in a defined/restricted resource environment to seek optimal use of its existing assets and capital expenditure. PCPPI will continue to focus on cost saving programs to reduce fixed and variable costs and critically review and rationalise capital expenditure to ensure that they conform to desired levels of return. The debt levels of PCPPI are to be prudently managed to enable it to sustain with resilience and to manage growth and resource deployment within the financial capability and constraints of PCPPI.

HONG LEONG CREDIT BERHAD ("HLC") – 20.9% OWNED BY THE GROUP

The Malaysian economy continues to show an improving trend of recovery with an annual GDP growth of about 8% expected for 2000 whilst some moderation will likely be seen in 2001 due to the anticipated slowing down in the United States. The HLC Group reported a group profit before tax of RM304.2 million which is an improvement of 5% compared to the corresponding period in previous year.

The banking and finance division benefited from a recovery in consumer confidence and from its strategic marketing moves to focus on the small and medium enterprises and selected retail segments. Gross loans and customer deposits for Hong Leong Bank Group recorded growth during the period. Profitability of the bank had also improved due to better interest margins, lower interest suspension and a move to non-interest related income.

The property division managed to turn around from loss in last financial year to current period profit. The construction and property development activities of Hong Leong Property Berhad, which are currently involved in major projects in Malaysia managed to maintain its profitability. The property investment division enjoyed occupancy rates above 80% for its properties.

The insurance division recorded a profit for the current period. Combined gross premium for life and general insurance recorded a marginal increase as compared to corresponding period for previous financial year.

As a result of bearish market with substantial fall in the Kuala Lumpur Stock Exchange trading volume for the past six months, HLG Capital Group ("HLG"), the Stockbroking Division, recorded a marginal loss for the period ended 31st December, 2000. Moving forward, HLG plans to acquire a 100% stake in Borneo Securities which operates in Sarawak. This move would enable the company to increase its market share and expand its customer base. The cost of such investment is approximately RM30 million.

For the remaining second half of the current financial year, the operations of the HLC Group particularly its banking and finance division are expected to show improving profit trends barring any major adverse conditions.



REVIEW OF OPERATIONS (CONT'D)

OTHER FINANCIAL SERVICES

During the period under review, Dao Heng Securities Limited (“DHS”) continued to earn steady brokerage and interest income from its stock brokerage, share margin and corporate finance businesses. DHS has made significant investment in IT related projects and was one of the first group of stock brokerages houses to launch AMS3, the third generation Automated Matching System, the new securities trading platform maintained by the Stock Exchange.

Despite the unfavourable market conditions, Dao Heng Insurance Co., Limited (“DHI”) has achieved encouraging progress in the personal line business including the domestic helper and travel insurance. DHI has partnered with Dao Heng Bank’s mortgage banking division for its insurance direct business which provides a cost effective and efficient marketing and distribution channel to meet the needs of customers.

During the period under review, Dao Heng Fund Management Limited (“DHFM”) collaborated closely with DHBG to build the infrastructure and platform including the establishment of an IVR supported Call Centre so as to provide quality service to customers for the Mandatory Provident Fund Scheme (“MPF”). Addressing the Wealth Management needs of the Group’s customers, DHFM has successfully launched third party funds which compliment the existing Dao Heng Unit Trust. The “Dao Heng Monthly Savings Plan” marketing plan was well received and generates a stable and regular inflow of new accounts.

The Group has made significant investment in information technology, virtually all of DHBG’s and the Group’s other financial services companies’ products and services now rely on a sophisticated and interlinked platform of IT programs and systems. The Group has been active in developing its MIS related systems, particularly the CRM and peripheral statistical and behavioural modules, which are helping in our effort to segment our product offerings. A special focus is also centered on developing our profitability measurement systems for customers, products, channels and business units.

A tremendous amount of effort and investment is likewise being expended in the area of e-banking and e-commerce, with a thorough revamp of our website currently underway and numerous new products and services being offered and promoted over the web. These efforts combined with our mobile phone financial services, are keeping DHBG at the forefront of technology in the banking. This leading position was recently acknowledged by the Asian Banker Journal, which named Dao Heng Bank’s ec-banking platform as one of the top ten retail internet banking sites in Asia and Dao Heng Securities ranked numbered two for on-line share trading.

FINANCIAL COMMENTARY

TURNOVER

Overall turnover increased by HK\$963 million or 18.5% mainly due to increase in turnover of the banking and finance sectors of HK\$744 million. Turnover for the property development and investment sector and treasury and investment management activities also increased by HK\$149 million and HK\$68 million respectively.



FINANCIAL COMMENTARY (CONT'D)

BORROWINGS

During the period, the Group maintained total borrowings of HK\$13 billion. As at 31st December, 2000, unsecured indebtedness comprised approximately 69% of the total borrowings.

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

	Bank loans HK\$'000	Other borrowings HK\$'000	Total HK\$'000
On demand or within 1 year	1,510,699	2,107,069	3,617,768
After 1 year but within 2 years	3,555,538	900,860	4,456,398
After 2 year but within 5 years	2,297,737	608,084	2,905,821
After 5 years	—	2,040,440	2,040,440
	<u>5,853,275</u>	<u>3,549,384</u>	<u>9,402,659</u>
	<u>7,363,974</u>	<u>5,656,453</u>	<u>13,020,427</u>

The loans are secured by the following:

- legal mortgages on investment properties with a book value of HK\$366 million;
- legal mortgages on development properties with a book value of HK\$5,964 million; and
- certain equity investments with total carrying value of HK\$1,416 million.

CAPITAL COMMITMENTS

As at 31st December, 2000, the Group had outstanding capital commitments as follows:

	HK\$'000
Authorised and contracted for	84,957
Authorised but not contracted for	37,047
	<u>122,004</u>

These commitments primarily represented capital expenditure for branch renovation and IT equipment of banking subsidiaries and amounts relating to the Group's share of capital commitments of a jointly controlled entity.



FINANCIAL COMMENTARY (CONT'D)

CAPITAL AND FINANCE

The Group's consolidated shareholders' funds as at 31st December, 2000, after reflecting the current period retained profits and adjusting for the major items set out below amounted to HK\$11,806 million, representing a net asset value of HK\$27.7 per share.

The major adjustments are as follows:

- revaluation surplus for investment properties of an associate of HK\$44 million;
- realisation of investment property revaluation reserve on disposal of investment properties by an associate of HK\$39 million; and
- exchange losses on translation of net investments in subsidiaries and associates of HK\$117 million.

Dao Heng Bank Limited's consolidated capital adequacy ratio as at 31st December, 2000 was 22.8% of which Tier I ratio was 18.4%.

HUMAN RESOURCES AND TRAINING

The Group, including its subsidiaries in Hong Kong and overseas, employed approximately 3,600 employees as at 31st December, 2000. The Group continued to follow a measured approach towards the size of its workforce and is committed to provide its staff with ongoing development programmes.

The remuneration policy for the Group's employees is reviewed by management on a regular basis. Remuneration packages are structured to take into account the level and composition of pay and general market conditions in the respective countries and businesses in which the Group operates. Bonus and other merit payments are linked to the financial performance of the Group and individual performance as incentives to optimise performance. In addition, share options have been granted to certain eligible directors and employees of the Group in accordance with the terms of the approved share option schemes adopted by the Group.

OUTLOOK

The Group's core markets of Hong Kong, Singapore and Malaysia have recovered at different pace and amplitude after the Asian financial crisis. The implications of a hard landing versus a soft landing of a US correction needs to be fully considered in the management of those group businesses which are particularly reliant upon the US markets. The Group will continue to focus on strengthening its core financial services businesses as a major thrust of the Group going forward with particular emphasis on cost efficient universal banking. With the strengthened position of our financial services operations, the Group is on the right track for further growth.



CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31st December, 2000 – Unaudited

	Note	2000 US\$'000	1999 US\$'000	2000 HK\$'000	1999 HK\$'000
Turnover	2 & 3	790,660	669,615	6,166,555	5,203,913
Cost of property sales		(61,245)	(41,943)	(477,665)	(325,960)
Interest expenses of banking operations		(419,251)	(342,740)	(3,269,843)	(2,663,604)
Other attributable costs		(9,923)	(8,829)	(77,392)	(68,615)
		300,241	276,103	2,341,655	2,145,734
Other revenue	4a	1,054	1,111	8,220	8,634
Other net income/(loss)	4b	10,977	(13,216)	85,612	(102,708)
Administrative expenses		(122,004)	(112,717)	(951,538)	(875,980)
Other operating expenses		(1,956)	(1,772)	(15,255)	(13,770)
Provisions for bad and doubtful loans and advances for banking operations	12(a)	(20,441)	(23,566)	(159,424)	(183,143)
Operating profit before finance cost	5	167,871	125,943	1,309,270	978,767
Finance cost for non-banking operations	6	(29,973)	(23,550)	(233,767)	(183,019)
Operating profit	2	137,898	102,393	1,075,503	795,748
Provision for diminution in value of development properties		–	(12,617)	–	(98,053)
Net profit on disposal of investment properties		–	35,638	–	276,961
Net loss on disposal of fixed assets		(89)	(3,981)	(694)	(30,939)
Operating profit on ordinary activities		137,809	121,433	1,074,809	943,717
Share of profits less losses of associates		21,096	11,167	164,533	86,784
Share of profits less losses of jointly controlled entities		2,884	1,417	22,493	11,012
Profit from ordinary activities before taxation		161,789	134,017	1,261,835	1,041,513
Taxation	7	(34,818)	(29,913)	(271,554)	(232,469)
Profit from ordinary activities		126,971	104,104	990,281	809,044
Minority interests		(44,513)	(43,659)	(347,168)	(339,296)
Profit attributable to shareholders		82,458	60,445	643,113	469,748
Appropriation: Dividends	8	(10,940)	(8,235)	(85,326)	(63,995)
Retained profit for the period		71,518	52,210	557,787	405,753
Earnings per share					
Basic	9	US\$ 0.19	US\$ 0.14	HK\$ 1.51	HK\$ 1.10
Diluted	9	US\$ 0.19	US\$ 0.14	HK\$ 1.49	HK\$ 1.09

The notes on pages 12 to 29 form part of this interim financial report.



CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 31st December, 2000 – Unaudited

	2000 US\$'000	1999 US\$'000	2000 HK\$'000	1999 HK\$'000
Surplus arising from revaluation of investment properties of an associate	5,654	8,249	44,097	64,107
Revaluation reserve realised on disposal of investment properties	(5,002)	(14,644)	(39,012)	(113,806)
Net dilution (loss)/gain of subsidiary and associates	(25)	953	(195)	7,406
Share of revaluation surplus of associates	–	2,263	–	17,587
Surplus arising on share investment in subsidiaries	586	2,814	4,570	21,869
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	(14,959)	(1,619)	(116,669)	(12,582)
Net losses not recognised in the consolidated profit and loss account	(13,746)	(1,984)	(107,209)	(15,419)
Group profit attributable to shareholders	82,458	60,445	643,113	469,748
Total recognised gains	68,712	58,461	535,904	454,329

The notes on pages 12 to 29 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

At 31st December, 2000

	Note	At 31st December 2000 (Unaudited) US\$'000	At 30th June 2000 (Audited) US\$'000	At 31st December 2000 (Unaudited) HK\$'000	At 30th June 2000 (Audited) HK\$'000
NON-CURRENT ASSETS					
Investment properties		176,245	175,993	1,374,579	1,371,953
Fixed assets		640,614	654,361	4,996,309	5,101,071
Interest in associates		526,222	521,417	4,104,137	4,064,706
Interest in jointly controlled entities		9,725	4,822	75,848	37,590
Held-to-maturity securities and investment securities	10	87,373	87,540	681,444	682,418
		1,440,179	1,444,133	11,232,317	11,257,738
CURRENT ASSETS					
Development properties		784,913	802,854	6,121,733	6,258,648
Properties held for resale		101,358	101,685	790,516	792,685
Advances to customers less provisions	12	8,584,986	8,381,389	66,956,452	65,337,118
Other assets	13	388,077	366,378	3,026,710	2,856,100
Held-to-maturity securities and investment securities	10	3,223,560	3,253,165	25,141,350	25,360,048
Other investments in securities	11	417,406	364,077	3,255,454	2,838,162
Certificates of deposit held		17,236	75,482	134,428	588,420
Placements with banks and other financial institutions		1,622,895	1,366,783	12,657,364	10,654,757
Cash and short term funds	14	4,906,419	4,139,820	38,266,388	32,271,967
		20,046,850	18,851,633	156,350,395	146,957,905
CURRENT LIABILITIES					
Other payables and provisions	15	2,324,122	1,878,931	18,126,408	14,647,208
Current portion of bank loans and other borrowings		463,861	276,388	3,617,768	2,154,583
Insurance funds		2,867	2,728	22,360	21,266
Deposits and balances of banks and other financial institutions		426,766	566,356	3,328,455	4,415,028
Current, fixed, savings and other deposits of customers		13,589,163	13,022,358	105,985,280	101,515,792
Certificates of deposits issued		1,069,718	905,747	8,342,998	7,060,751
Taxation		53,085	43,900	414,023	342,222
Proposed dividend		10,940	30,100	85,326	234,645
		17,940,522	16,726,508	139,922,618	130,391,495
Net current assets		2,106,328	2,125,125	16,427,777	16,566,410
TOTAL ASSETS LESS CURRENT LIABILITIES		3,546,507	3,569,258	27,660,094	27,824,148
NON-CURRENT LIABILITIES					
Non-current portion of bank loans and other borrowings		1,205,585	1,315,825	9,402,659	10,257,514
Deferred taxation		3,299	2,027	25,730	15,801
		1,208,884	1,317,852	9,428,389	10,273,315
Minority interests		823,853	795,408	6,425,436	6,200,603
NET ASSETS		1,513,770	1,455,998	11,806,269	11,350,230
CAPITAL AND RESERVES					
Share capital	17	213,316	213,316	1,663,705	1,662,905
Reserves	18	1,300,454	1,242,682	10,142,564	9,687,325
		1,513,770	1,455,998	11,806,269	11,350,230

The notes on pages 12 to 29 form part of this interim financial report.



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st December, 2000 – Unaudited

	2000 US\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	863,777
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(97,325)
TAX PAID	(13,580)
NET CASH INFLOW FROM INVESTING ACTIVITIES	26,735
NET CASH INFLOW BEFORE FINANCING	779,607
NET CASH INFLOW FROM FINANCING	257,757
INCREASE IN CASH AND CASH EQUIVALENTS	1,037,364
EFFECT OF FOREIGN EXCHANGE RATES	(3,886)
CASH AND CASH EQUIVALENTS AS AT 1ST JULY, 2000	5,420,388
CASH AND CASH EQUIVALENTS AS AT 31ST DECEMBER, 2000	6,453,866
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS	
Cash and short term funds	4,906,419
Placements with banks and other financial institutions	1,622,895
Bank loans and overdrafts mature within three months	(75,448)
	6,453,866

The notes on pages 12 to 29 form part of this interim financial report.



NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 2.125 "Interim financial reporting" issued by the Hong Kong Society of Accountants except that comparative figures for the cash flow statement have not been prepared as the Company has taken advantage of the transitional provisions set out in Note 37.3 of Appendix 16 to the Main Board Listing Rules.

The information in this interim report is unaudited and does not constitute statutory accounts. The financial information relating to the financial year ended 30th June, 2000, included in the interim financial report is extracted from the Company's statutory accounts. Statutory accounts for the year ended 30th June, 2000 can be obtained on request at the Group Company Secretariat, 9/F The Center, 99 Queen's Road Central, Hong Kong, or from the Company's website www.guoco.com. The auditors have expressed an unqualified opinion on those accounts in their report dated 13th October, 2000.

The same accounting policies adopted in the 1999/2000 annual accounts have been applied to the interim financial report.

2. SEGMENTAL INFORMATION

The analysis of the principal activities and geographical location of the operations of the Company and its subsidiaries during the financial period are as follows:

Principal activities

	Group turnover Six months ended 31st December		Operating profit/(loss) Six months ended 31st December	
	2000 (Unaudited) US\$'000	1999 (Unaudited) US\$'000	2000 (Unaudited) US\$'000	1999 (Unaudited) US\$'000
Treasury and investment management	15,927	7,219	15,998	(14,952)
Property development and investment	70,306	51,443	9,549	7,782
Stockbroking	6,555	6,853	2,546	3,263
Insurance	10,016	9,494	443	2,584
	102,804	75,009	28,536	(1,323)
Less: Finance cost for non-banking operations			(29,973)	(23,550)
			(1,437)	(24,873)
Banking and financing	687,856	594,606	139,335	127,266
	790,660	669,615	137,898	102,393

Geographical locations of operations

	Group turnover Six months ended 31st December	
	2000 (Unaudited)	1999 (Unaudited)
Hong Kong	85%	88%
Asia (excluding Hong Kong)	13%	11%
Others	2%	1%
	100%	100%



3. TURNOVER

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

	Six months ended 31st December	
	2000 (Unaudited) US\$'000	1999 (Unaudited) US\$'000
Interest income from banking operations	620,450	535,262
Interest income from non-banking operations	3,944	3,273
Income from sale of investments in securities	9,390	3,193
Securities commission, brokerage and other income	6,555	6,853
Gross insurance premiums	10,016	9,494
Income from sale of properties	61,067	40,401
Rental income from properties	9,239	11,042
Other income from banking operations	67,406	59,344
Dividend income from listed securities	2,593	753
	790,660	669,615

4. INCOME

(a) Other revenue

	Six months ended 31st December	
	2000 (Unaudited) US\$'000	1999 (Unaudited) US\$'000
Interest income from listed securities	501	587
Dividend income from unlisted securities	–	102
Others	553	422
	1,054	1,111

(b) Other net income/(loss)

	Six months ended 31st December	
	2000 (Unaudited) US\$'000	1999 (Unaudited) US\$'000
Net profits/(losses) from dealing investments	3	(69)
Net realised gains on investment securities	–	580
Write back/(provision) on held-to-maturity securities and investment securities	66	(45)
Net realised gains on other investments	1,132	1,611
Net unrealised gains/(losses) on other investments	5,076	(10,031)
Gain on foreign exchange dealing	383	592
Net exchange gains	4,952	2,281
Others	(635)	(8,135)
	10,977	(13,216)



5. OPERATING PROFIT BEFORE FINANCE COST

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

	Six months ended 31st December	
	2000 (Unaudited) US\$'000	1999 (Unaudited) US\$'000
Staff costs (including retirement scheme contributions of US\$2,260,000 (1999: US\$3,913,000))	65,969	62,732
Rental income less outgoings	8,817	10,173
Depreciation	16,736	12,022
Auditors' remuneration	500	543
Operating lease charges		
– properties	4,389	3,403
– others	8	7
Donation	30	51
	29,973	23,550

6. FINANCE COST FOR NON-BANKING OPERATIONS

	Six months ended 31st December	
	2000 (Unaudited) US\$'000	1999 (Unaudited) US\$'000
Interest on bank advances and other borrowings repayable within five years	45,197	35,225
Other borrowing costs	586	2,120
Total borrowing costs	45,783	37,345
Less: Borrowings costs capitalised into development properties (<i>Note 2</i>)	(15,810)	(13,795)
	29,973	23,550

(1) This excludes the interest expenses of the banking operations.

(2) The borrowing costs have been capitalised at a rate of 3.5% – 8% per annum (1999: 3% – 4.75%) for properties under development.



7. TAXATION

Taxation in the consolidated profit and loss account represents:

	Six months ended 31st December	
	2000 (Unaudited) US\$'000	1999 (Unaudited) US\$'000
Hong Kong taxation	20,835	21,831
Overseas taxation	1,932	5,433
Deferred taxation	1,271	(3,207)
	24,038	24,057
Share of associates' taxation	10,251	5,602
Share of jointly controlled entities' taxation	529	254
	34,818	29,913

The provision for Hong Kong profits tax is calculated by applying the estimated annual effective tax rate of 16% (1999: 16%) to the profits for the six months ended 31st December, 2000. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that would be applicable to the relevant countries.

8. DIVIDENDS

	Six months ended 31st December	
	2000 (Unaudited) US\$'000	1999 (Unaudited) US\$'000
Interim dividend declared of HK\$0.20 per share (1999: HK\$0.15 per share)	10,940	8,235

9. 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\$82,458,000 (1999: US\$60,445,000) and on the 426,631,086 shares (1999: 426,631,086 shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of US\$81,574,000 (1999: US\$59,611,000) and the weighted average number of 426,631,086 shares (1999: 426,892,180 shares) in issue during the period after adjusting for the effect of all dilutive potential ordinary shares.



10. HELD-TO-MATURITY SECURITIES AND INVESTMENT SECURITIES

		At 31st December 2000 (Unaudited)			At 30th June 2000 (Audited)		
		Non-current US\$'000	Current US\$'000	Total US\$'000	Non-current US\$'000	Current US\$'000	Total US\$'000
(a)	Held-to-maturity securities						
	Listed						
	In Hong Kong	-	366,693	366,693	-	236,212	236,212
	Outside Hong Kong	-	1,252,459	1,252,459	-	1,430,095	1,430,095
		-	1,619,152	1,619,152	-	1,666,307	1,666,307
	Unlisted	-	1,595,636	1,595,636	-	1,572,867	1,572,867
	Total held-to-maturity securities	-	3,214,788	3,214,788	-	3,239,174	3,239,174
(b)	Investment securities						
	Debt securities						
	Listed outside Hong Kong	-	4,699	4,699	-	5,588	5,588
	Unlisted	-	2,286	2,286	-	6,599	6,599
		-	6,985	6,985	-	12,187	12,187
	Equity securities						
	Listed						
	In Hong Kong	-	-	-	358	-	358
	Outside Hong Kong	80,672	17	80,689	80,832	17	80,849
		80,672	17	80,689	81,190	17	81,207
	Unlisted	6,701	1,770	8,471	6,350	1,787	8,137
		87,373	1,787	89,160	87,540	1,804	89,344
	Total investment securities	87,373	8,772	96,145	87,540	13,991	101,531
Total held-to-maturity securities and investment securities		87,373	3,223,560	3,310,933	87,540	3,253,165	3,340,705
Market value of listed securities							
	Debt securities	-	1,625,835	1,625,835	-	1,671,082	1,671,082
	Equity securities	110,451	2,002	112,453	131,220	1,789	133,009
		110,451	1,627,837	1,738,288	131,220	1,672,871	1,804,091

Issued by:

	At 31st December 2000 (Unaudited) US\$'000	At 30th June 2000 (Audited) US\$'000
- Central governments and central banks	403,681	580,567
- Public sector entities	594,517	546,526
- Banks and other financial institutions	2,165,480	2,070,520
- Corporate entities	146,601	142,424
- Others	654	668
	3,310,933	3,340,705



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

During the period, held-to-maturity securities shown in Notes 10 and 14(b) with an amortised cost of US\$231 million (30th June, 2000: US\$389 million) were disposed of at a profit of US\$3,434,000 (30th June, 2000: US\$630,000) being recognised in the profit and loss account.

Held-to-maturity debt securities are stated at cost, adjusted for the amortisation of premiums and accretion of discounts over the period from the date of purchase to the date of redemption. Equity securities are stated at cost, less any provision for diminution in value which is other than temporary.

11. OTHER INVESTMENTS IN SECURITIES

	At 31st December 2000 (Unaudited) US\$'000	At 30th June 2000 (Audited) US\$'000
Debt securities		
Listed		
In Hong Kong	90,335	57,643
Outside Hong Kong	38,120	4,142
	128,455	61,785
Unlisted	102,158	173,493
	230,613	235,278
Equity securities		
Listed		
In Hong Kong	50,979	29,887
Outside Hong Kong	135,386	98,142
	186,365	128,029
Unlisted	428	770
	186,793	128,799
Total other investments in securities	417,406	364,077
Market value of other listed investments in securities		
Debt securities	128,455	61,785
Equity securities	186,365	128,029
	314,820	189,814
Issued by:		
– Central governments and central banks	45,548	31,429
– Public sector entities	91,685	124,589
– Banks and other financial institutions	103,064	78,394
– Corporate entities	177,109	129,665
	417,406	364,077



12. ADVANCES TO CUSTOMERS LESS PROVISIONS

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

	At 31st December 2000 (Unaudited) US\$'000	At 30th June 2000 (Audited) US\$'000
Advances to customers	8,786,225	8,578,937
Provisions for bad and doubtful loans and advances (<i>Note a</i>)		
General	(103,608)	(105,319)
Specific	(97,631)	(92,229)
	<u>8,584,986</u>	<u>8,381,389</u>
Included in advances to customers are:		
Trade bills	84,205	83,535
General provisions for bad and doubtful loans and advances	(837)	(824)
	<u>83,368</u>	<u>82,711</u>

(a) Provisions for bad and doubtful loans and advances

	At 31st December 2000 (Unaudited)			
	Specific US\$'000	General US\$'000	Total US\$'000	Suspended interest US\$'000
At 1st July	92,229	105,319	197,548	49,760
Amounts written off	(19,249)	-	(19,249)	(8,200)
Recoveries of advances written off in previous years	3,492	-	3,492	-
Charge/(release) to profit and loss account	21,965	(1,524)	20,441	-
Interest suspended during the period	-	-	-	19,502
Suspended interest recovered	-	-	-	(3,594)
Exchange adjustments	(806)	(187)	(993)	(106)
At 31st December	<u>97,631</u>	<u>103,608</u>	<u>201,239</u>	<u>57,362</u>

	At 30th June 2000 (Audited)			
	Specific US\$'000	General US\$'000	Total US\$'000	Suspended interest 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>



12. ADVANCES TO CUSTOMERS LESS PROVISIONS (CONT'D)

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

	At 31st December 2000 (Unaudited)		At 30th June 2000 (Audited)	
	US\$'000	% of Total advances	US\$'000	% of Total advances
Gross advances	329,951	3.76	335,113	3.91
Specific provisions	(88,829)		(85,211)	
	<u>241,122</u>		<u>249,902</u>	

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

13. OTHER ASSETS

	At 31st December 2000 (Unaudited) US\$'000	At 30th June 2000 (Audited) US\$'000
Accrued interest	135,695	140,085
Other accounts	252,382	226,293
	<u>388,077</u>	<u>366,378</u>

14. CASH AND SHORT TERM FUNDS

	At 31st December 2000 (Unaudited) US\$'000	At 30th June 2000 (Audited) US\$'000
Cash and balances with banks and other financial institutions	292,276	326,350
Money at call and short notice (<i>Note a</i>)	2,330,627	1,899,030
Treasury bills (including Exchange Fund Bills) (<i>Note b</i>)	2,283,516	1,914,440
	<u>4,906,419</u>	<u>4,139,820</u>

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



14. CASH AND SHORT TERM FUNDS (CONT'D)

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

	At 31st December 2000 (Unaudited) US\$'000	At 30th June 2000 (Audited) US\$'000
Held-to-maturity securities		
Listed outside Hong Kong	669,764	309,642
Unlisted	389,065	468,757
	1,058,829	778,399
Other investments		
Unlisted	1,224,687	1,136,041
	2,283,516	1,914,440

Market value of listed treasury bills amounted to US\$669,765,000 (30th June, 2000: US\$309,629,000).

15. OTHER PAYABLES AND PROVISIONS

	At 31st December 2000 (Unaudited) US\$'000	At 30th June 2000 (Audited) US\$'000
Other accounts and provisions	2,238,196	1,803,050
Amounts due to associates	21	23
Amounts due to jointly controlled entities	85,905	75,858
	2,324,122	1,878,931



16. MATURITY PROFILE

	At 31st December 2000 (Unaudited)						Total US\$'000
	Repayable on demand US\$'000	3 months or less US\$'000	1 year or less but over 3 months US\$'000	5 years or less but over 1 year US\$'000	After 5 years US\$'000	Undated US\$'000	
Assets							
- Cash and short-term funds	159,650	4,713,997	32,772	-	-	-	4,906,419
- Placements with banks and other financial institutions	-	1,258,091	364,804	-	-	-	1,622,895
- Certificates of deposit held	-	11,198	-	6,038	-	-	17,236
- Other investments in securities - debt securities	10,666	19,656	41,724	71,334	87,133	100	230,613
- Held-to-maturity securities and investment securities - debt securities	-	542,739	1,085,774	1,539,790	52,655	815	3,221,773
- Advances to customers	577,411	1,040,195	691,093	2,006,776	4,244,877	225,873	8,786,225
	<u>747,727</u>	<u>7,585,876</u>	<u>2,216,167</u>	<u>3,623,938</u>	<u>4,384,665</u>	<u>226,788</u>	<u>18,785,161</u>
Liabilities							
- Bank loans and other borrowings	65,387	13,983	384,491	943,964	261,621	-	1,669,446
- Certificates of deposit issued	-	123,730	540,436	405,552	-	-	1,069,718
- Current, fixed, savings and other deposits of customers	1,613,327	10,823,614	1,137,004	14,503	715	-	13,589,163
- Deposits and balances of banks and other financial institutions	22,636	404,002	128	-	-	-	426,766
	<u>1,701,350</u>	<u>11,365,329</u>	<u>2,062,059</u>	<u>1,364,019</u>	<u>262,336</u>	<u>-</u>	<u>16,755,093</u>



16. MATURITY PROFILE (CONT'D)

At 30th June 2000 (Unaudited)							
	Repayable on demand US\$'000	3 months or less US\$'000	1 year or less but over 3 months US\$'000	5 years or less but over 1 year US\$'000	After 5 years US\$'000	Undated US\$'000	Total US\$'000
Assets							
- Cash and short-term funds	212,914	2,905,917	1,020,989	-	-	-	4,139,820
- Placements with banks and other financial institutions	-	1,201,303	165,480	-	-	-	1,366,783
- Certificates of deposit held	-	46,194	-	29,288	-	-	75,482
- Other investments in securities - debt securities	12,403	22,251	44,009	97,475	59,040	100	235,278
- Held-to-maturity securities and investment securities - debt securities	-	266,272	886,276	1,992,111	105,886	816	3,251,361
- Advances to customers	603,809	971,724	658,288	1,950,716	4,171,786	222,614	8,578,937
	<u>829,126</u>	<u>5,413,661</u>	<u>2,775,042</u>	<u>4,069,590</u>	<u>4,336,712</u>	<u>223,530</u>	<u>17,647,661</u>
Liabilities							
- Bank loans and other borrowings	32,178	71,301	172,909	1,054,205	261,620	-	1,592,213
- Certificates of deposit issued	-	29,504	360,176	503,239	12,828	-	905,747
- Current, fixed, savings and other deposits of customers	1,440,093	9,956,192	1,045,781	576,735	2,632	925	13,022,358
- Deposits and balances of banks and other financial institutions	21,918	544,438	-	-	-	-	566,356
	<u>1,494,189</u>	<u>10,601,435</u>	<u>1,578,866</u>	<u>2,134,179</u>	<u>277,080</u>	<u>925</u>	<u>16,086,674</u>



17. SHARE CAPITAL

	At 31st December 2000 (Unaudited) US\$'000	At 30th June 2000 (Audited) US\$'000
Authorised: 1,000,000,000 shares of US\$0.50 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid: 426,631,086 shares of US\$0.50 each	<u>213,316</u>	<u>213,316</u>

18. RESERVES

	At 31st December 2000 (Unaudited) US\$'000	At 30th June 2000 (Audited) US\$'000
(a) Share premium	<u>235,122</u>	<u>235,122</u>
(b) Investment property revaluation reserve		
As at 1st July, 2000 and 1st July, 1999	25,429	8,114
Surplus arising on revaluation of investment properties	–	9,348
Surplus arising from revaluation of investment properties of an associate	5,654	43,580
Transfer to other property revaluation reserve	–	13,551
Realised on		
– disposal of investment properties by an associate	(5,002)	–
– deemed disposal of a subsidiary's investment property portfolio	–	6,485
– disposal of subsidiaries and associates	–	(55,062)
Exchange adjustments	46	(587)
	<u>26,127</u>	<u>25,429</u>



18. RESERVES (CONT'D)

	At 31st December 2000 (Unaudited) US\$'000	At 30th June 2000 (Audited) US\$'000
(c) Other property revaluation reserve		
As at 1st July, 2000 and 1st July, 1999	42,909	64,426
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	(26)	(269)
	42,883	42,909
(d) Capital and other reserves		
As at 1st July, 2000 and 1st July, 1999	71,271	56,074
Capital reserve arising on share investment in subsidiaries	586	13,020
Net dilution loss of subsidiary and associates	(25)	(1,745)
Transfer from retained profits of subsidiaries and associates	–	4,220
Exchange adjustments	22	(298)
	71,854	71,271
(e) Contributed surplus	36,121	36,121
(f) General reserve	131,929	131,929
(g) Exchange differences on translation of net investments in subsidiaries and associates		
As at 1st July, 2000 and 1st July, 1999	(178,428)	(156,007)
Current period / year	(15,001)	(22,421)
	(193,429)	(178,428)
(h) Retained profits		
As at 1st July, 2000 and 1st July, 1999	878,329	814,890
Transfer to capital reserve by subsidiaries and associates	–	(4,220)
Transfer from other property revaluation reserve on disposal of fixed assets	–	9,468
Retained profit for the period/year	71,518	58,191
	949,847	878,329
TOTAL RESERVES	1,300,454	1,242,682



19. POST BALANCE SHEET EVENTS

- (a) On 16th January, 2001, the Group acquired from imGO Limited ("imGO") the entire issued share capital of Reunification Properties Limited ("Reunification") and the net amount due by Reunification to imGO at a cash consideration of HK\$107,507,000 pursuant to an agreement dated 25th March, 2000.
- (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. These transactions and the merger have not yet been completed as at 31st December, 2000.

20. OFF-BALANCE SHEET EXPOSURES

(a) Contingent liabilities

	At 31st December 2000 (Unaudited) US\$'000	At 30th June 2000 (Audited) US\$'000
Contingent liabilities relating to banking operations		
Direct credit substitutes	88,683	77,739
Transaction-related contingencies	18,148	26,504
Trade-related contingencies	265,647	282,639
Other commitments with an original maturity of under 1 year or which are unconditionally cancellable	4,069,583	3,469,409
	4,442,061	3,856,291

As at 31st December, 2000, there were contingent liabilities in respect of guarantees given to bankers by the Company to secure banking facilities to the extent of US\$384,722,000 (30th June, 2000: US\$361,158,000) granted to group companies.

As at 31st December, 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 US\$77,795,000. The Options are exercisable during the period from 30th May, 2001 to 29th November, 2001.



20. OFF-BALANCE SHEET EXPOSURES (CONT'D)

(b) Financial contracts

Financial contracts represent contracts whose value depends on the value of one or more underlying assets or indices.

The following is a summary of the notional amounts of each significant type of financial contracts relating to banking operations entered into by the Group.

	At 31st December 2000 (Unaudited) US\$'000	At 30th June 2000 (Audited) US\$'000
Exchange rate contracts		
Spot and forwards	435,488	546,243
Swaps	6,533,576	3,764,926
Options purchased	7,328	12,042
Options written	2,471	3,874
Interest rate contracts		
Forwards and futures	454,721	513,133
Swaps	3,405,966	3,161,807
Options purchased	5,000	5,000
Others		
Options purchased	44,511	16,875
Options written	44,510	16,875
	10,933,571	8,040,775

The above table included the following notional amounts of financial contracts which were made for dealing purposes:

	At 31st December 2000 (Unaudited) US\$'000	At 30th June 2000 (Audited) US\$'000
Exchange rate contracts		
Spot and forwards	71,798	17,999
Swaps	5,720,948	2,829,193
Options purchased	7,328	12,042
Options written	2,471	3,874
Interest rate contracts		
Forwards and futures	235,677	513,133
Swaps	2,830,034	2,277,805
	8,868,256	5,654,046

Other accounts are initiated in response to customer demands. No other significant positions are maintained by the Group.



20. OFF-BALANCE SHEET EXPOSURES (CONT'D)

(b) Financial contracts (cont'd)

The replacement costs and credit risk-weighted amounts of the above off-balance sheet exposures are as follows. These amounts do not take into account the effects of bilateral netting arrangements.

	At 31st December 2000 (Unaudited)		At 30th June 2000 (Audited)	
	Replacement cost US\$'000	Credit risk- weighted amount US\$'000	Replacement cost US\$'000	Credit risk- weighted amount US\$'000
Contingent liabilities and commitments	–	133,116	–	134,737
Exchange rate contracts	19,109	19,893	14,368	14,455
Interest rate contracts	45,188	10,817	32,155	8,417
Equity contracts	329	2,460	158	984
	64,626	166,286	46,681	158,593

The tables above give the contractual or notional amounts, replacement costs and credit risk-weighted amounts of off-balance sheet transactions. These are assessed in accordance with the Hong Kong Monetary Authority's guidelines which implement the Basle agreement on capital adequacy and depend on the status of the counterparty and the maturity characteristics.

The risk weights used range from 0% to 100% for contingent liabilities and commitments, and from 0% to 50% for exchange rate and interest rate contracts. Replacement cost represents the cost of replacing all contracts which have a positive value when marked to market. The credit risk-weighted amount refers to the amount as computed in accordance with the Third Schedule to the Hong Kong Banking Ordinance.

Contingent liabilities and commitments are credit-related instruments which include acceptances, letters of credit, guarantees and commitments to extend credit. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client default. Since a significant portion of guarantees and commitments is expected to expire without being drawn upon, the total of the contract amounts is not representative of future liquidity requirements.

Off-balance sheet financial instruments arise from forward, future, swap and option transactions undertaken by the Group in the foreign exchange, interest rate and equity markets.

The notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date. They do not represent amounts at risk.



21. COMMITMENTS

- (a) As at 31st December, 2000, the Group had capital commitments as follows:

	At 31st December 2000 (Unaudited) US\$'000	At 30th June 2000 (Audited) US\$'000
Authorised and contracted for <i>(Note b)</i>	10,893	7,050
Authorised but not contracted for	4,750	5,112
	15,643	12,162

- (b) Amounts relating to the Group's share of capital commitments of a jointly controlled entity as at 31st December, 2000 included in the above amounted to US\$3,814,000 (30th June, 2000: Nil).

22. MATERIAL RELATED PARTY TRANSACTIONS

(a) Banking transactions

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

During the period, the Company's subsidiaries entered into a number of transactions in the normal course of business with companies in the HLCM Group, of which Messrs. Quek Leng Chan, Kwek Leng Hai and Kwek Leng San are shareholders of HLCM, including deposit and correspondent banking transactions. The contracts 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 of the Group.

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

- (i) *Income and expenses for the six months ended 31st December*

	Six months ended 31st December 2000 (Unaudited) US\$'000	1999 (Unaudited) US\$'000
Interest expense	134	127
Interest income	157	131

- (ii) *Balance at the end of period/year*

	At 31st December 2000 (Unaudited) US\$'000	At 30th June 2000 (Audited) US\$'000
Current, fixed, savings and other deposits	5,605	1,004
Cash and short term funds	4,430	10,765



22. MATERIAL RELATED PARTY TRANSACTIONS (CONT'D)

(b) Rental income

Rental income of US\$215,000 (1999: US\$251,000) 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 period ended 31st December, 2000 amounted to US\$4.2 million (1999: US\$3.9 million).

(d) Mandatory Provident Fund Scheme

The Group maintains a Mandatory Provident Fund Scheme in which the investment manager is a subsidiary of the Company. During the six months ended 31st December, 2000, the Group made a total contribution of US\$3.4 million to the scheme (1999: US\$4.1 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 31st December, 2000 amounted to US\$1.9 million (30th June, 2000: US\$1.9 million). Deposit taken from the jointly controlled entity as at 31st December, 2000 was US\$61.5 million (30th June, 2000: US\$57.7 million). Interest expense for the six months ended 31st December, 2000 payable to HDHCL amounted to US\$2.6 million (1999: US\$2.2 million). Gross management fee income from HDHCL to the Group for the six months ended 31st December, 2000 amounted to US\$7.2 million (1999: US\$5.9 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 31st December, 2000 for key management personnel of the Group were US\$3.7 million (30th June, 2000: US\$4.4 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 period ended 31st December, 2000 amounted to US\$74,000 (1999: US\$109,000).

23. COMPARATIVE FIGURES

Certain comparative figures relating to the consolidated profit and loss account for the six months ended 31st December, 1999 have been reclassified to conform with the current period's presentation.

24. HONG KONG DOLLAR AMOUNTS

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



SUPPLEMENTARY INFORMATION

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

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

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December, 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 or as otherwise known to the Directors were as follows:

Interests in the shares of the Company

Director	Number of shares				
	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests
Quek Leng Chan	220,000	–	138,234,740*	–	138,454,740
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 (137,046,740 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	No. 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 period under review, 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	Number of shares				
		Personal Interests	Family Interests	Corporate Interests	Other Interests	Total 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
	First Capital Corporation Ltd	662,261	–	200,179,299 (Note 1)	–	200,841,560
	First Capital Corporation Ltd (NCCPS**)	53,833	–	34,383,489 (Note 1)	–	34,437,322
	Hong Leong Credit Berhad	4,451,000	–	337,827,645 (Note 2)	–	342,278,645
	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	1,211,000	–	–	–	1,211,000
	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	10,000	–	–	–	10,000

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 the Company 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.

Interests in share options in Dao Heng Bank Group Limited

Director	No. of share options
Quek Leng Chan	2,000,000
Kwek Leng Hai	4,000,000
Sat Pal Khattar	800,000
Kwek Leng San	300,000
Randolph Gordon Sullivan	2,000,000
Harry Richard Wilkinson	120,000



DIRECTORS' INTERESTS IN SECURITIES (CONT'D)

Interests in share options in Dao Heng Bank Group Limited (cont'd)

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 a price of HK\$21.82 per share during the period from 15th April, 1998 to 15th July, 2002.

During the period under review, Messrs. Sat Pal Khattar and Harry Richard Wilkinson exercised their options under the scheme to subscribe respectively for 1,200,000 and 60,000 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 period, he did not exercise any option to acquire shares in HLCB.

Apart from the above, as at 31st December, 2000, there was no other interest or right recorded in the register required to be kept under Section 29 of the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 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")	137,046,740	–	137,046,740	
Government of Kuwait, Investment Authority				
Kuwait Investment Office	74,069,451	–	74,069,451	
Guoline Capital Assets Limited ("GCA")	–	137,046,740	137,046,740	1
Hong Leong Company (Malaysia) Berhad ("HLCM")	–	138,234,740	138,234,740	1 & 2
HL Holdings Sdn. Bhd.	–	138,234,740	138,234,740	3
Hong Leong Investment Holdings Pte Ltd	–	138,234,740	138,234,740	3
Kwek Holdings Pte Ltd	–	138,234,740	138,234,740	4

Notes:

- 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 137,046,740 shares held by GOL in the Company.
- The interests of HLCM represented the shares held by GOL and other companies to which HLCM had a corporate interest pursuant to the SDI Ordinance.
- HL Holdings Sdn. Bhd. and Hong Leong Investment Holdings Pte Ltd were deemed to be interested in 138,234,740 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 138,234,740 shares in the Company with respect to its interest in Hong Leong Investment Holdings Pte Ltd pursuant to Section 8 of the SDI Ordinance.



CORPORATE GOVERNANCE

In compliance with the Code of Best Practice, the Company has established an Audit Committee with written terms of reference. This Interim Report has been reviewed by the Audit Committee.

None of the Directors of the Company is aware of information which would reasonably indicate that the Company was not in compliance with the Code of Best Practice, as adopted by the Company, at any time during the six months ended 31st December, 2000.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 9th April, 2001 to 12th April, 2001, both days inclusive, during which period no transfer of shares can be effected.

In order to qualify for the above dividend, all share transfers accompanied by the requisite share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Central Registration Hong Kong Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 6th April, 2001.

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

Hong Kong, 16th March, 2001