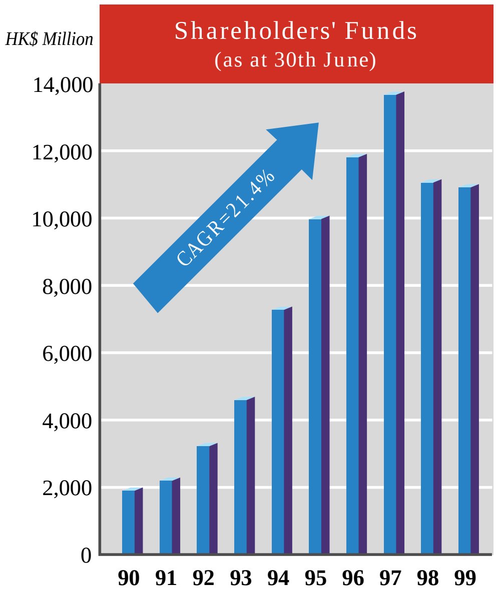
Financial Highlights

	1999 HK$'M	1998 HK$'M	% Change
Shareholders' Funds	10,891	10,996	-1.0
Total Assets	150,021	143,852	+4.3
Total Liabilities	131,538	125,194	+5.1
Current, Deposit and Other Accounts	117,977	108,106	+9.1
Turnover	13,220	13,983	-5.5
Operating Profit	1,631	1,816	-10.2
Net Profit after Tax	612	383	+59.8
Dividends	256	299	-14.3
Earnings per share	HK$1.44	HK$0.90	+60.0



Contents

Corporate Information

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)

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 ASSOCIATED COMPANIES

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

FINANCIAL CALENDAR

Interim results announcement	18th March, 1999
Closure of Register of Members	12th April, 1999 to 15th April, 1999
Interim dividend of HK$0.10 per share paid on	16th April, 1999
Annual results announcement	6th October, 1999
Closure of Register of Members	8th November, 1999 to 12th November, 1999
Annual General Meeting	12th November, 1999
Final dividend of HK$0.50 per share payable on	15th November, 1999

Biographical Details of Directors and Senior Management

Quek Leng Chan, aged 56, is the Chairman of Guoco Group Limited ("Guoco"), Guoco Land Limited ("Guoco Land"), 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 46, 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 56, is a Director of Guoco, DHBG, Guoco Land, 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 44, 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 Abdulah Abdulaziz Al Masad*, aged 41, 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 51, 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 27 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.

Biographical Details of Directors and Senior Management

Tan Lim Heng, aged 51, is a Director of Guoco and the Managing Director of Guoco Land, 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 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 56, 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 37, 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*

Chairman's Statement

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, 1999.

Hong Kong's recession intensified during 1998, registering a negative growth of 5.1% for the full year. Nonetheless, in the first half of 1999, there were emerging signs that the worst was probably over and the regional economies have shown indications of recovery and growth in their GDP by varying degrees.

To position the Group to return to healthy sustainable growth as Asia enters the recovery period in the aftermath of the worst economic environment in decades, I have directed the senior managers to critically assess every aspect of their business fundamentals. They were further directed to take the necessary bold actions to focus exclusively on the strengthening of the core businesses, to rationalise non-core activities, and undertake prudent provisions in light of the currently foreseeable market conditions.

Financial Results

In this context, the Group has reported an operating profit before tax of HK$1,631 million and a net profit after tax and exceptional items of HK$612 million and earnings per share of HK$1.44, representing an increase of 60% over the last financial year. Whilst the immediate net effect of the exceptional items summarised below is to reduce the Group's results for the year, we believe that these actions will in fact strengthen the Group going forward:

1. The Group disposed of its interest in ABN AMRO Asia (Holdings) Limited, which has provided a timely exceptional gain of HK$1,286 million and funds for reducing bank borrowings and strengthening the Group's existing businesses.

2. Considering the downturn in the property markets in the region, the Group has made provisions for diminution in value of properties and in jointly controlled entities involved in property development projects totalling HK$1,449 million;

3. To recognise the current adverse outlook for the Philippine's operating environment, a provision against associated companies of HK$233 million is also reflected as an exceptional item in the profit and loss account.

The Group has further strengthened its intrinsic value by writing off associated companies' goodwill via movement in reserves resulting in a marginal decrease in consolidated shareholders' funds to HK$10,891 million. This is in accordance with the prudent accounting policies of the Group.

The Board of Directors will recommend payment of a final dividend of HK$0.50 per share which together with the interim dividend of HK$0.10 per share paid during the year, makes a total dividend for the year of HK$256 million or HK$0.60 per share.

Chairman's Statement

Positioning the Group for the next millennium

As we approach the new millennium with regional economies set to resume growth on a foundation of strengthening fundamentals, the Group believes that its actions have better positioned it to resume sustainable growth.

- **Financial Services Sector**

The Group will focus its major emphasis on its core financial services businesses that will play an increasingly pivotal role as the major revenue generator for the Group. Recognising the paradigm shift occurring throughout the Asian banking environment, Dao Heng Bank Group ("DHBG") has adopted an aggressive marketing-oriented and sales driven growth strategy. To achieve that goal, I have directed a total restructuring of DHBG.

Capitalising on DHBG's powerful delivery channels, the Group is further optimising its already strong distribution capabilities by expanding and integrating its Call Centres, enhancing its mobile phone banking which was introduced this summer and will later this fiscal year introduce Internet banking.

Dao Heng Fund Management, the Group's wholly-owned subsidiary, and DHBG are working vigorously to become a meaningful player in the Mandatory Provident Fund scheme market that will be launched next year. Concurrently, DHBG will utilise this opportunity to expand its commercial and consumer customer bases.

Dao Heng Securities, the Group's wholly-owned subsidiary, and DHBG are collaborating to augment its Share Direct Integrated Account call centre service by offering Internet share trading later this calendar year to both existing and new customers. Key third party alliances have been formed to extend the market reach of this new service.

Dao Heng Insurance, the Group's wholly-owned subsidiary, having installed new systems this year, will similarly extend its product range and coverage utilising DHBG's Bank assurance distribution capabilities.

Hong Leong Bank Berhad ("HLB"), a 71.3% owned subsidiary of Hong Leong Credit Berhad which is a 20.88% associate of the Group, has entered into a memorandum of understanding with the Bank of Commerce (M) Berhad in accordance with the Merger Programme for Malaysian Domestic Institutions announced by Bank Negara Malaysia on 29th July, 1999.

The Group continues its commitment to maintain leadership in information technology and human resources development necessary to enhance the Group's competitiveness. One notable example is the implementation of its new Customer Relationship Management System. This new capability within an expanded marketing division and state of the art system will enable the Group to better serve and cross sell to its customers and cost effectively manage its multiple distribution channels and enhance credit risk management.

- **Property Sector**

  The Group's property companies have adopted strategies appropriately in accord with the current outlook of their individual markets. With prudent provisions and appropriate measures undertaken to strengthen the balance sheet of these entities, we believe they are now better postured to improve their performance as the markets recover.

- **Manufacturing Sector**

  In August 1999, the Group has further consolidated its manufacturing business by disposing of non-core interests in certain joint ventures engaged in manufacture of air-conditioning and electrical appliances. This is in line with the Group's strategy to focus on synergistic business activities that will bring sustainable earnings and cashflow.

- **Image and Branding**

  The public image and awareness of the Group has been enhanced through its relocation to its highly visible new headquarters at The Center, the promotion of its new unified corporate logo and branding and favourable response to various business initiatives. Aligning with the Group's aggressive marketing strategy, the expanded marketing division will continue to add measurable value to the Group's brand franchise.

The Group has addressed the regional financial adversity as an opportunity to restructure itself as a more focused entity. It will continue to undertake the bold actions necessary to strengthen its fundamentals as it positions itself to realise the opportunities that the new millennium will undoubtedly present.

Corporate Governance

The Board Audit Committee was constituted and its authority and duties are set out in written terms of reference based on the recommendations of the Hong Kong Society of Accountants. Board Audit Committee Meetings are regularly held to review the Group's financial statements, the nature and scope of its internal audit procedures and financial reporting process and control procedures. The Board Audit Committee also reviews the progress of the Group's Year 2000 compliance programme.

Appreciation

I would also like to take this opportunity to express my appreciation for the hard work and solid dedication of the Group's management and staff that have seen us through this most challenging period. Finally, I thank our customers for loyalty, our financiers and shareholders for their continued support and my fellow directors for their wise counsel and invaluable contribution.

Quek Leng Chan
Chairman

6th October, 1999

Operational Review

I. DAO HENG BANK GROUP LIMITED ("DHBG")

(71.59% owned by the Group)

Financial Highlights

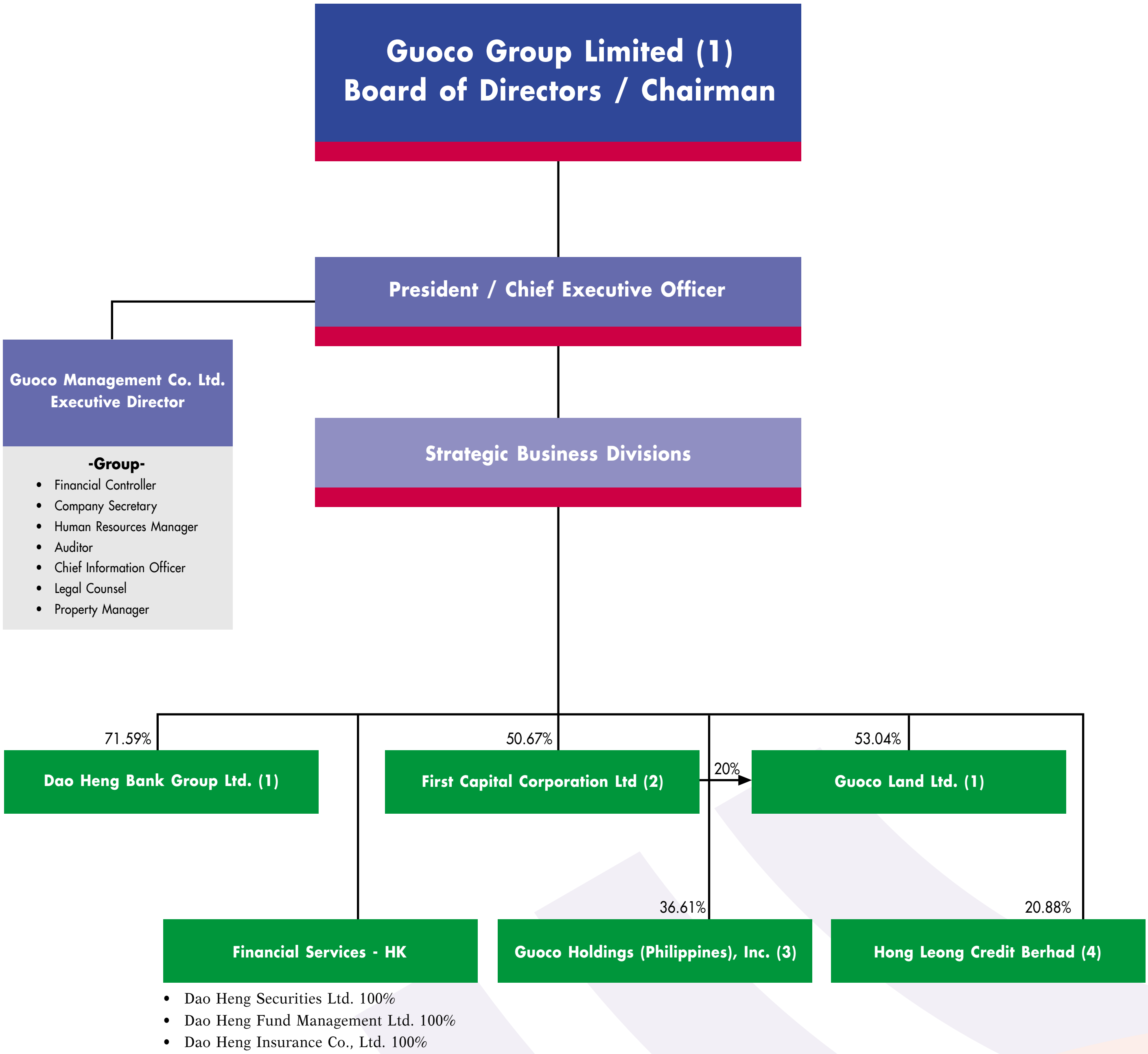
The consolidated net profit of DHBG for the 1998/99 fiscal year ended 30th June, 1999, after minority interests, provisions for doubtful loans, depreciation and taxation amounted to HK$1,203 million, a decline of 4.1% from the previous fiscal year. Earnings per share were HK$1.74.

The consolidated financial highlights of the DHBG are shown below:

	As at 30.6.99 (HK$ million)	As at 30.6.98 (HK$ million)	**Percentage Change**
Total Assets	**131,876**	122,934	**+7.3**
Total Deposits	**104,978**	99,725	**+5.3**
Total Advances (net of provisions)	**64,941**	64,738	**+0.3**
Shareholders' Funds	**11,657**	11,074	**+5.3**
Consolidated Net Profit	**1,203**	1,255	**-4.1**
Loan/Deposit Ratio	**61.86%**	64.92%	
Return on Average Equity	**10.59%**	11.58%	
Return on Average Assets	**0.94%**	1.01%	

Operational Review

MANAGEMENT ORGANIZATION CHART



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

Web sites 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)
– Guoco Land Limited (http://www.guocoland.com)

Operational Review

Review of Activities

1999 began with a continuation of the recessionary economic environment in the first quarter of the year, although the rate of negative growth was lower at -3.1% compared to -5.1% for all of 1998. However, the second quarter of 1999 managed to record a small positive increase in GDP of 0.7%. Unemployment has levelled off at 6.1% and deflation is currently running at -4.0% year-on-year, resulting in a real interest rate of 12% versus 5% one year ago. Consumer confidence and consumer spending, while above their lows, continue to be depressed.

The banking industry is experiencing rising levels of problem loans with the consequent need to make additional loan loss provisions. While it is possible that loan provisioning will peak by year end 1999, reinvigorated loan demand will probably not be seen until well into the year 2000. Hence, growth in the banking sector is anticipated to continue to be constrained for another six to twelve months.

On a more positive note, nominal interest rates have been quite stable since late 1998, and the HK Dollar/US Dollar exchange rate has likewise been well managed by the Hong Kong Monetary Authority in its gradual climb to 7.80. There has also been a remarkable recovery of Hong Kong's stock market, which recovered from a low of 6,660 in the Hang Seng Index in August 1998 to 13,534 as of 30th June, 1999.

Financial Review

Operating Results

Net interest income increased by 4.0%, primarily due to a more favourable HK Dollar Prime-Hibor spread during the second half of the fiscal year. As a result, the net interest margin improved 10 basis points to 2.38%. Moreover, a strong performance in other operating income, which grew 17.9% to HK$1,020 million, was recorded.

The growth in non-interest income was due to the one time gain of HK$181 million reported in DHBG's first half results combined with a large contribution of HK$77 million from trading income compared to HK$30 million in the prior year. With total operating expenses at a slightly lower level than last year, operating profit before provisions registered a healthy increase of 13.6%. The cost to income ratio improved to 39.6% from 42.9% in the previous fiscal year.

Balance Sheet Structure

As at 30th June, 1999, total deposits were HK$105 billion, reflecting a growth rate of 5.3% from the previous year. Total loans grew 0.3% to HK$64.9 billion, resulting from slack demand for new credit and our more judicious risk appetite. Although there was minimal overall loan growth, a meaningful shift in the loan mix was evident as consumer loans grew 25.5% while commercial and corporate lending declined by 18.8%. DHBG's loans to deposits ratio of 61.9% and loans to assets ratio of 49.2% were deliberately managed at such conservative levels to ensure that DHBG would not be overly exposed to declining loan quality at the current stage of the credit cycle.

Shareholders' funds increased 5.3% to HK$11.7 billion, with Dao Heng Bank Limited's consolidated capital adequacy ratio at a solid 22.07% (of which the Tier 1 ratio was 16.99%). DHBG continued to exhibit a highly liquid balance sheet, with 44.7% of total assets held in the form of government securities, interbank placements, and negotiable securities.

Asset Quality

DHBG experienced increased problem loans in its trade finance, corporate, taxi, PRC and credit card portfolios. Non-accrual loans and loans overdue for more than 90 days increased to 4.06% and 3.81% of total loans respectively due to the impact of a weak Hong Kong economy on a broad cross-section of our customer base. DHBG's residential mortgage portfolio continues to perform acceptably, with overdues greater than 90 days representing 0.95% of the portfolio as of the reporting date.

Rescheduled loans accounted for 1.60% of total loans, which reflects DHBG's efforts to work with customers whose business remains viable to help them overcome the negative impact of the recession. Provisions made during the year for bad and doubtful loans and advances grew 60.17% to HK$857 million, all of which was applied to specific provisions and loan write-offs. In addition, HK$59 million in general provisions were transferred to specific provisions. As at 30th June, 1999, DHBG's unallocated general loan loss provisions stood at HK$816 million or 1.23% of total gross loans, well above DHBG's target level of 1%.

The quality of PRC related credits continues to deteriorate, though it is believed the majority of PRC borrowers now experiencing difficulties will be able to work with their creditors to safeguard their financial viability. While it is expected that additional provisions may be necessary for this sector, DHBG's relatively small scale of exposure at less than 1% of total assets limits its vulnerability.

Operational Review

Business Review

Consumer Banking

To better serve its customers and position DHBG for the rapidly evolving financial services industry, DHBG continues to develop its organizational structure to reflect global best practice. Presently, DHBG operates three consumer relationship segments, namely Personal Banking, Premier Banking, and Global Private Banking, which are complemented by two consumer product segments, namely Mortgage Banking and Credit Card.

Modern merchandising concepts underlie the design of the new Head Office at The Center.

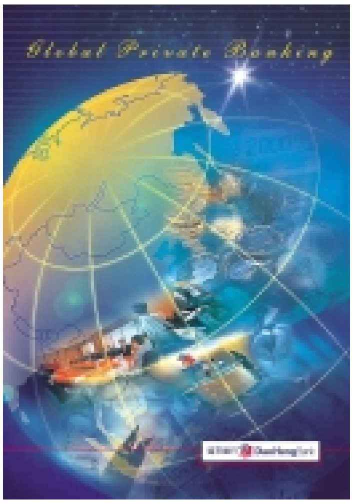
A ceremony was held to inaugurate the new Mobile Phone Banking Service.

Personal Banking Division manages DHBG's extensive domestic branch network, as well as a range of offsite ATMs and several high tech automated banking centres. Personal Banking initiatives now underway include implementing a more customer friendly and sales oriented branch layout, which encourages cross-selling a wide variety of consumer banking products.

Dao Heng Bank Group is committed to providing its customers with a full range of delivery channel alternatives to facilitate convenient access "anytime, anywhere". DHBG's latest new service, the first of its kind by a bank in Hong Kong, is mobile phone banking and share trading. Using new SIM card mobile phone technology, its customers can now perform a wide variety of menu-driven financial transactions on their mobile phone screen including a sophisticated price-alert capability for monitoring their stock market transactions.

The Premier Banking and Global Private Banking Divisions of DHBG further differentiate their product and service offerings to meet diverse client needs and preferences. The customized service that these divisions offer enables DHBG to better satisfy the increasing demand for personalized financial service products among Hong Kong's more affluent customer segments.

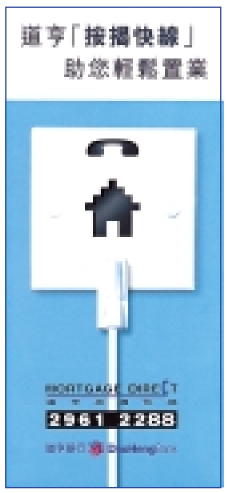
A new Mortgage Banking Division has recently been established to enable DHBG to excel in the delivery of its most important consumer loan product. Based on state of the art call centre technology, and an advanced product development and loan fulfilment capability, the Mortgage Banking Division will enable DHBG to be the low cost provider in its marketplace. The industry leading telemarketing capabilities of DHBG's Mortgage Direct call centre are also now being applied to other important consumer products such as insurance and share trading.



The corporate brochure of Global Private Banking.

The Premier Banking Centre team and the new Dao Heng Premier Card.

The telemarketing capabilities are applied to important customer products such as insurance and share trading.



Dao Heng Bank Group participated in the Mortgage Insurance Programme introduced by the Hong Kong Mortgage Corporation Limited.

Operational Review

Dao Heng Card was launched in January 1999 as the successor to DHBG's OTB Card product and is rapidly gaining acceptance as one of the market's most successful brands. During the past year, several I.T. based systems have been introduced or upgraded to position its Credit Card Division for an anticipated surge in growth once consumer confidence in Hong Kong improves. Among DHBG's new product capabilities is the introduction of S.E.T. technology to assure the security of its customer's internet based transactions.

Dao Heng Card was launched as the successor to the OTB Card.

Commercial and Corporate Banking

Demand for commercial loans was weak during the past year as Hong Kong's economy was in the midst of a deflationary environment exacerbated by high real interest rates. Most of DHBG's problem loans emanated from this sector, with particularly challenging operating conditions in the taxi lending business of Dao Heng Finance.

DHBG is taking advantage of the present slow market to accelerate the restructuring of its Commercial Banking Division to enable it to offer a wide range of business banking products in a more professional, productive and profitable manner. In order to provide its 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 are now being merged into two centralized units, one on Hong Kong Island and the other in Kowloon. In addition, a new Trade Finance and Corporate Services Division is being established to reinvigorate these important products and services for DHBG's commercial and corporate clients.

Dao Heng Markets

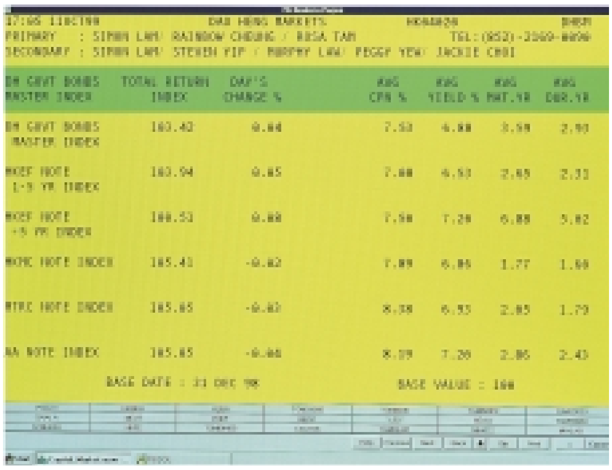
DHBG's treasury related activities under the leadership of its Dao Heng Markets Division achieved outstanding results, particularly during the first half of the fiscal year. The largest


The establishment of Dao Heng Markets reflects DHBG's higher profile and expanded role as a market maker in the Hong Kong financial market.

Operational Review

The new dealing centre of Dao Heng Markets at The Center.

contributions came from trading and investment income as Dao Heng Markets capitalized on interest rate volatility in the Hong Kong Dollar market. Dao Heng Markets' role as one of the most active market makers in Hong Kong Dollar instruments was affirmed with the successful launch of a new "Dao Heng Government Bonds Master Index", which has rapidly become the benchmark for measuring performance in Hong Kong Government fixed income securities. Another major initiative was the promotion of Dao Heng's new concept to retailize selected institutional instruments in both US and HK Dollars to our premier and private banking customer base. Dao Heng Markets also continues to be one of the largest arrangers and issuers of Hong Kong Dollar denominated instruments.



The "Dao Heng Government Bonds Master Index" becomes the benchmark for measuring performance in Hong Kong Government fixed income securities.

International Banking

DHBG continues to maintain five offices in Mainland China, and one office each in Macau and Taipei. New business activity, however, continues to be subdued as a cautious approach to new lending mitigates

The brochures of Overseas Trust Bank, London adopted a new outlook.

against rapid asset growth in the present economic environment. In London, DHBG has recently relocated its West End Branch to a more prominent site in Chinatown to better serve its customers there. In order to focus more closely DHBG's resources on its core markets, the sale of its Colombo Branch to a group of prominent Sri Lankan and international investors took place in June 1999.

DHBG's 60% owned subsidiary in the Philippines, Dao Heng Bank, Inc., ("DHBI") completed its third year of operations in January 1999. Although new business activities have been constrained due to the continuing impact of the Asian financial turmoil, DHBI continues to invest in the necessary infrastructure to ensure its ability to take advantage of opportunities that are expected to present themselves once the Philippine economy emerges from the current sluggish business conditions. DHBI presently operates 15 branches in the country and is focusing on a consumer banking strategy closely aligned with that of its parent bank in Hong Kong.

Information Technology and Operations Support

Dao Heng Bank Group's policy is to benchmark itself against global best practice in the financial services industry to ensure DHBG's long term competitiveness. To this end, DHBG has stepped up its investment in information technology in spite of the relatively weak economic environment during the past year. This increased I.T. investment is supporting both the development of new delivery channels as well as providing enhanced new product capabilities for its customers.

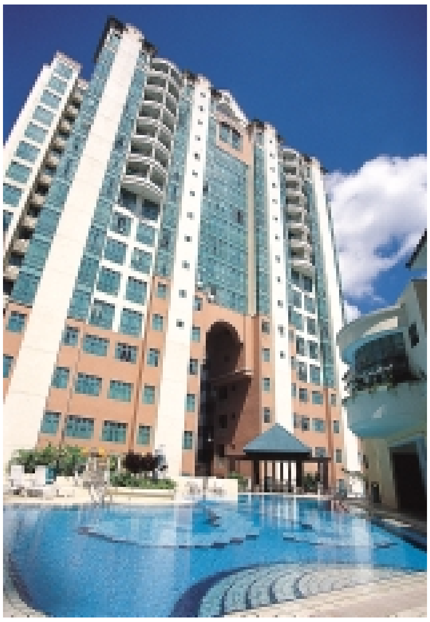
II. FIRST CAPITAL CORPORATION LTD ("FCC")

(50.67% owned by the Group)

Stratford Court, situated near the Tanah Merah MRT station.

For the year ended 30th June, 1999, FCC's turnover decreased by 25% to S$471.7 million as less development units were launched during the year. The only development project launched for sale was Aquarius By The Park. FCC made an aggregate provision of S$145.8 million on its residential and commercial properties. As a result, FCC recorded an operating loss before interest and tax of S$70.9 million for the year ended 30th June, 1999.

Operational Review



Tanglin Regency, a two-tower condominium development, with 210 units located in Tanglin Road near Redhill MRT station.

Maysprings, 636 units comprised of 2 bright and breezy tower blocks with cascading waterfalls and distinguishing landscapes feature.

Despite the losses, FCC has a tax charge of S$22.6 million as there is no group tax relief in Singapore. As a result, the losses incurred in some subsidiaries are not available for offset against income of other subsidiaries. The extraordinary items included losses from sale of a long-term investment and sale of an investment property by subsidiaries, sale of an associated company and provision for diminution in value of a long-term investment by a subsidiary.

FCC's loss after tax and extraordinary items attributable to members of the Company is S$179.4 million against S$23.3 million in the previous year.

An independent valuation for FCC's investment properties was carried out as at 30th June, 1999. An amount of S$77.8 million was written down in FCC's revaluation reserves. After the write-down, FCC has a surplus of S$218.1 million in its revaluation reserves.

FCC's net tangible asset backing per share has decreased from S$4.08 last year to S$2.78 this year. The decrease is attributable to provisions made for FCC's development and investment properties and the enlargement of the share capital base arising from the placement of additional shares and conversion of the non-redeemable convertible cumulative preference shares to ordinary shares.

During the year, FCC sold all of its residential units which had been launched for sale except for 48 unsold launched units in Aquarius By The Park. To build up its landbank in well-located

Maysprings (night scene)

Maysprings (aerial view)

residential areas, FCC had acquired a 40% interest (subject to the necessary approvals) in a prime freehold site at No. 1 Ladyhill Road, a freehold site at Katong Park Hotel and the leasehold service apartments at No. 21 Leonie Hill for redevelopment.

FCC has been divesting its interests in non-strategic assets so that financial resources could be reallocated towards FCC's core property business. During the year, FCC sold a shop unit in Lucky Plaza, 5 terrace factories at Paya Lebar Road and 2 office units at Parkway Parade. Subsequent to year end, FCC disposed of 2 storeys of retail space at Kovan Centre and another 3 office units at Parkway Parade. FCC has also divested its entire interest in the subsidiary that owns Century Square, a retail mall at Tampines Central, through asset securitisation. In August 1999, FCC sold down 22.63% from its investment in Sea View Hotel Limited.

Certificates of Statutory Completion were obtained for Westville, Maysprings and Tanglin Regency in March 1999 and for Stratford Court in June 1999.

III. GUOCO LAND LIMITED ("GLL")

(53.04% owned by the Group and 20% by FCC)

GLL recorded an operating loss of HK$6.4 million for the year under review. GLL has engaged external professional valuers to revalue the three investment properties at O.T.B. Building, Wu Chung House and The Center at their open market value on 30th June, 1999. Provisions for deficits on revaluation totalling HK$434.5 million were made in the financial statements. Taking into consideration the downturn in the property market, GLL has also during the year made provisions for interest in jointly controlled entities totalling HK$141.5 million as exceptional items. GLL has also disposed of its property interests in the car parking spaces at South Horizons. A loss of HK$94.8 million was realized. The disposal of the 11th Floor of The Center by GLL also resulted in a loss of HK$2.0 million. Exceptional items totalling HK$672.8 million were therefore reported. GLL also recorded a share of loss of an associated company of HK$40.8 million which represented its share of loss of the Tai Po project.

After taking into consideration the above exceptional items, share of loss of an associated company, taxation and minority interests, GLL reported a loss attributable to shareholders of HK$722.9 million. Loss per share was HK$2.85 (1998: HK$0.85).

GLL continues to derive recurring steady rental income for its Hong Kong investment properties at Wu Chung House, O.T.B. Building and The Center. The property projects under joint venture with major property developers in Tai Hang Road and Tsim Sha Tsui are targeted to be completed in early 2001 and mid 2002 respectively. GLL is currently considering an alternative plan for developing the Tsim Sha Tsui site as service apartments. The property project in Tai Po is sold out with only a few car parking spaces remaining unsold. A conditional sale and purchase agreement was entered into on 27th September, 1999 between Supreme Goal Investments Limited ("SGIL"), a wholly-owned subsidiary of GLL and Dao Heng Bank Limited, a wholly-owned subsidiary of DHBG, in respect of the disposal by SGIL of the 16th, 17th and 18th Floors of The Center, for a cash consideration of HK$481.0 million.

IV. GUOCO PROPERTIES LIMITED ("GPL")

(55% owned by the Group and 45% by FCC)

The Asian financial crisis has caused contraction in investments into PRC as well as dampening the demand for commercial and residential properties. As a consequence, GPL is actively taking measures to re-structure its property projects in the PRC in order to enhance its cashflow position and to reduce the risk of RMB devaluation. As at todate, approximately 13% of the office space in Corporate Square, a 17-storey office development in Beijing, has been sold and approximately 27% has been leased out. The negotiations with potential buyers for selling the units in Corporate Square and the other PRC property projects are in progress.

V. GUOCO HOLDINGS (PHILIPPINES), INC. ("GHPI")

(36.61% owned by the Group)

GHPI incurred substantial losses during the past fiscal year as it suffered from the negative effects of the regional recession. High debt service resulting from the increase in interest rates weakened operating cash generation and higher raw material and labour costs resulting from the depreciation of the peso pulled down overall profitability of GHPI Group companies. Accounting for a large portion of the loss was Pepsi-Cola Products Philippines Inc. which suffered from a series of adverse factors which negatively impacted the softdrink category.

A financial restructuring exercise to strengthen the balance sheet is being undertaken. It involves basically reduction of borrowings to a level that will enable GHPI to set a foundation to get back into profitability. Proceeds from the proposed sale of assets will be used to repay loans. The Group is in the process of finalising disposal of its various property projects. In addition, GHPI is rationalizing its overall investment portfolio to dispose non-core investments.

The amended joint venture agreement between Amari Coastal Bay Development Corp. (a wholly-owned subsidiary of CCI) and the Public Estates Authority was finally approved by the President of the Philippines on 28th May, 1999. The presidential approval paves the way for the resumption of the project's regular development program which was stalled for almost three years. The highlights of the amended joint venture agreement are the extension of the reclamation and development timetable from five years to twelve years and an increase in the government's land share to 30%.

VI. HONG LEONG CREDIT BERHAD ("HLC")

(20.88% owned by the Group)

HLC achieved a profit before taxation ("PBT") of RM58.7 million for the year under review. Operating profit was RM517.5 million before making doubtful debts and loss provisions amounting to RM458.8 million. All divisions reported profits except for its Stock-broking Division which recorded a loss of RM89.1 million mainly as a result of a RM88.6 million doubtful debt provision. As 1999 is a tax waiver year, group profit after taxation and minority interests ("PAT") for the financial year rose to RM58.2 million mainly due to a tax over-provision in prior year and also

Operational Review

The pilot bulk cash deposit machine in Hong Leong Bank Bangsar Branch - first in Malaysia

Hong Leong Bank Bangsar Branch

the realisation of subsidiaries' Section 108 tax credits not set-off by tax as a result of the tax holiday.

The Hong Leong Bank Berhad Group ("HLB") reported a 16% drop in PBT to RM107.1 million. The lower profit is mainly attributable to a RM43.5 million increase in the charge for specific and general provisions amounting to RM400.9 million and RM12.6 million respectively. Fee based/ non interest income improved 41% to RM174.5 million. Deposits grew by 13% to RM20.6 billion whilst gross loans were maintained at the level of RM16.7 billion.

PBT for the Insurance Group increased significantly from RM47.2 million last year to RM80.0 million this financial year largely arising from gains on investments and write backs in the diminution in the value of investments following the better performance of the Kuala Lumpur Stock Exchange. The Insurance Group recorded a marginal increase in combined gross premium income to RM628.6 million. Combined net premium income was higher, growing 7% to RM482.2 million. Total assets of the general business grew 15% to RM532.8 million. Life insurance gross premiums grew by 16% to RM293.0 million this year. The Life fund also grew 48% to RM738.4 million this year.

The Hong Leong Property Group recorded a PBT of RM24.4 million, a 64% drop from last year. The drop arose mainly from losses suffered by the Hotels and Resorts Division and the 48% contraction in the property industry. The Property Development, Investment and Construction

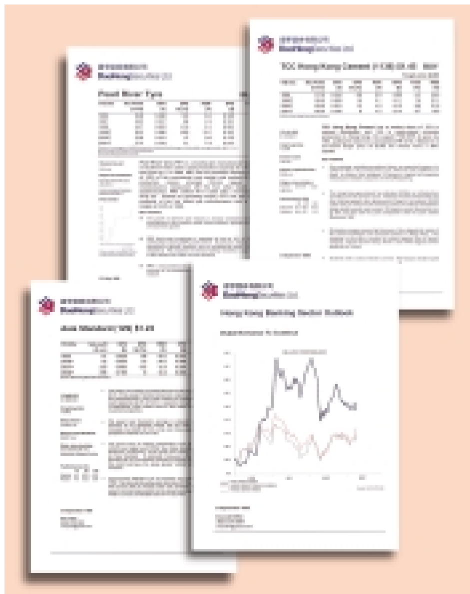
Operational Review

Divisions continued to report profits albeit lower than previous years, helping to mitigate losses in the Hotels and Resorts Division.

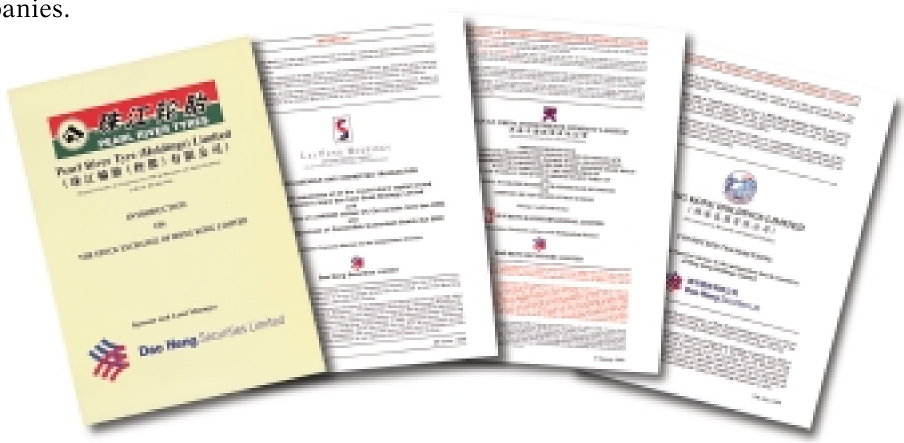
HLC has made prudent provisions for doubtful loans and losses for the last two financial years and this has negated operational profitability. Moving forward, with the economy in recovery, HLC is expected to improve on profitability next year. The prospects in the four major business divisions of HLC are good with reasonable upside potential in the recovering economy.

VII. OTHER FINANCIAL SERVICES

Dao Heng Securities Limited ("DHS") continues to report satisfactory results despite a difficult operating environment. Having built up a solid reputation as a full service brokerage house providing stockbroking, margin financing, nominee services, investment research and corporate finance services, DHS is now seeking to enlarge its market share. Competition in the securities market is expected to increase as the pace of market liberalization and technology pick up. The merger of the Stock and Futures Exchanges and the rapid development of internet broking will lead to lower transaction costs and demand for higher service quality from customers. DHS is positioning itself to meet the challenges ahead by introducing new cellular internet broking services and leveraging on the customer base of affiliated companies.



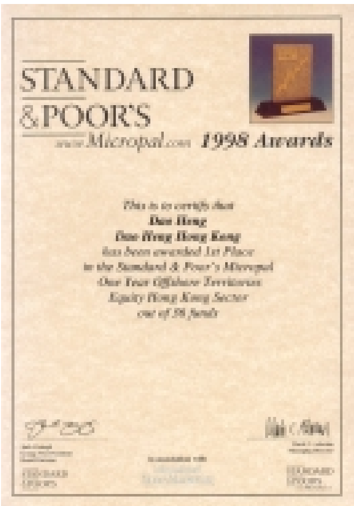
Research reports produced by Dao Heng Securities Limited.



Dao Heng Securities Limited has participated in several underwriting and financial advisory assignments.

Operational Review

The personal line insurance business of Dao Heng Insurance Co., Limited is a key feature of the Dao Heng Direct Club.



The Dao Heng Hong Kong Fund has been awarded 1st place in the Standard & Poor's Micropal One Year Offshore Territories Equity Hong Kong Sector out of 36 funds.

Dao Heng Fund Management Limited offers a wide variety of investment products.

To support the massive growth in personal line insurance business for the bank, Dao Heng Insurance Co., Limited ("DHI") launched seven new personal insurance products during the period under review. In line with the product launch, over 500 bank staff have attended internal insurance training courses on insurance principles, product knowledge and selling technique conducted by DHI. Overall growth on this class of business is encouraging. In June 1999, DHI and DHBG have jointly launched the Dao Heng *Direct Club*. The objective of this program is to achieve massive growth in expanding our customer base in particular on affluent customers with family. DHI has acquired a new computer system to cope with the needs of more sophisticated personal insurance products, auto-billing, auto-renewal, on line enquiries and management information system. Two major phases in supporting its fire mortgage insurance business and personal insurance business have been completed within this fiscal year.

The monthly savings plan of Dao Heng Fund Management Limited ("DHFM") is well received in the market with encouraging inflow of new accounts. DHFM is also working with DHBG to provide training to 350 bank staff to prepare for the MPF examination with an aim to become a meaningful player in the Mandatory Provident Fund Scheme which will be launched next year.

VIII. OUTLOOK

Hong Kong's recession intensified during 1998, registering a negative growth of 5.1% for the full year. Nonetheless, in the first half of 1999, there were emerging signs that the worst was probably over and the regional economies have shown indications of recovery and growth in their GDP by varying degrees.

To position the Group to return to healthy sustainable growth as Asia enters into a recovery period in the aftermath of the worst economic environment in decades, the Group continues to critically assess every aspect of its business fundamentals and take necessary bold action to focus on the strengthening of its core businesses, to rationalise non-core activities, and undertake prudent provisions in light of the currently foreseeable market conditions.

The public image and awareness of the Group has been enhanced through its relocation to its highly visible new headquarters at The Center, the promotion of its new unified corporate logo and branding and favourable response to various business initiatives. Aligning with the Group's aggressive marketing strategy, the expanded marketing division will continue to add measurable value to the Group's brand franchise.

The Group has addressed the regional financial adversity as an opportunity to restructure itself as a stronger and more focused entity. It will continue to undertake the necessary actions to strengthen its fundamentals as it positions itself to realise the opportunities that the new millennium will undoubtedly present.

IX. COMMUNITY SERVICES

As part of our commitment to the community, for many years the Group has always strongly supported the fund-raising campaigns 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 the Group's participation in the Walks for Millions.

The Group is committed to caring for the community and will continue its efforts to support charity events in Hong Kong.

In addition, the Group's Sport and Social Club regularly organises visits to the elderly and the needy.

X. EMPLOYEE RELATIONS

The Group treats its staff as an important asset, the Group employs approximately 3,000 people of whom approximately 2,700 are based in Hong Kong. All subsidiary operating companies of the Group are equal opportunity employers. Selection and promotion of staff are based on the individual's merit and performance. A wide range of benefits including medical benefits, retirement scheme and provident funds are provided to the employees.

Over 300 senior executives participated in the Annual Sales Conference.

Internal and external training and development programmes are provided on a year round basis to our employees to enhance their skill and personal development. Financial assistance is provided to qualifying staff to further their education in areas relevant to their work. The Sports and Recreation Club organised many social and recreational activities for staff during the year.

Operational Review

XI. YEAR 2000 ISSUE

Many computer systems and other electronic devices (with embedded chips) use two digits rather than four to represent specific years. Unless corrected, this problem could cause system failure or malfunction, resulting in possible disruption to business operations on or beyond the first day of the year 2000.

Specially designed pamphlets on the Year 2000 issue are sent to customers.

Through a designated team, the Group has completed the validation and implementation of its mission critical systems (including hardware and software) for Year 2000 compliance, meaning that these systems should perform, function and manage data involving dates without being abnormally affected by dates spanning the period prior to, during and after the year 2000. Progress of such activities has been regularly reported to Senior Management and the Board of Directors.

While its internal systems have been addressed, the Group's business operations may also be disrupted by the non-compliance of other entities such as suppliers, business partners, creditors, borrowers and customers. Therefore, the Group has now obtained compliant certification from its major counterparties. In addition, it has performed testing and validation of all significant external interfaces with relevant counterparties and participated (more than once in some cases) in industry-wide testing activities applicable to its business. However, there is no way to prevent a failure of the systems of other companies, on which the Group's business transactions rely, from having an adverse effect on the Group. A comprehensive Year 2000 contingency plan has also been established which calls for various action teams to be mobilized, either on-site or standby on a 24 hour non-stop basis, prior to and during any critical dates, as deemed relevant to individual subsidiary companies, to:

1. Print all ledger/customer account balances prior to any critical date.

2. Wherever applicable, arrange for extra cash and liquid funding, for the period prior to, during and after the turn of the century, to satisfy a likely increase in customer demand.

3. Verify the functioning of our computer systems (including data communication networks), building facilities, and office equipment as soon as possible.

4. Activate an Event Management (Command) Centre to coordinate, manage and monitor activities being carried out by various action teams.

5. Manage institutional, public and customer relationships in respect of Year 2000 issues.

The contingency plan also includes resumption procedures to recapture manual transactions upon successful repairing of any failed system. In addition, all essential staff will be required to be on duty or standby during any public holidays and certain other times within these critical periods. Testing of this plan had been completed as of 30th June, 1999 and further refinement in accordance with the guidelines of the Hong Kong Monetary Authority and/or the Securities and Futures Commission has been completed as of 30th September, 1999.

The Group has achieved 100% completion on the modification, upgrading and user acceptance testing of its internal computer systems and remaining activities will be the preparation for successful rolling over and contingency planning in respect of major critical dates that may have Year 2000 issues.

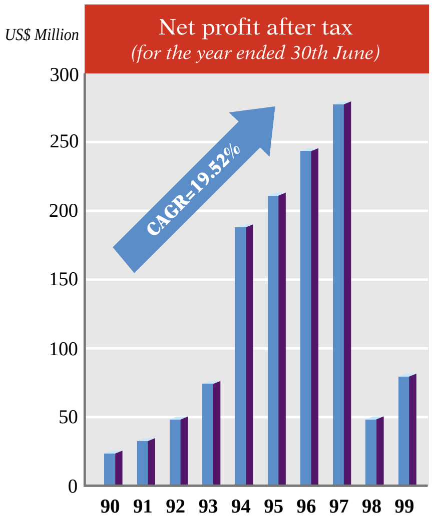
The Group has also considered purchasing additional Year 2000 insurance. However, after careful assessment of the scope of insurance cover available, insurance cover already held and its Year 2000 program progress, it has decided not to purchase any such separate insurance protection.

The total Year 2000 project cost for the Group is estimated at approximately HK$29.5 million, a decrease of HK$1.4 million from previous estimates. The variance is due to the decision to invest in new replacement systems with expanded functionality, best attributable to business expansion rather than for the sole purpose of Year 2000 compliance. As is usual, the capital expenditure of acquiring improved hardware and software systems will be capitalized as fixed assets while other project costs will be expensed as incurred. Up to the period ended 30th June, 1999, the Group has incurred approximately HK$22.4 million in capital expenditure and HK$5.0 million in expenses. As at 30th June, 1999, HK$0.25 million has been contracted but not provided for in the accounts. The Group expects a further amount of HK$1.85 million will be spent to complete its Year 2000 project.

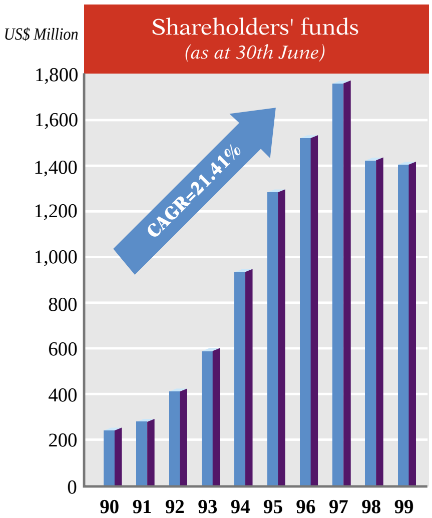
XII. FINANCIAL COMMENTARY

The consolidated profit attributable to shareholders, after exceptional items, taxation and minority interests amounted to HK$612.3 million, representing an increase of 60% over last year.

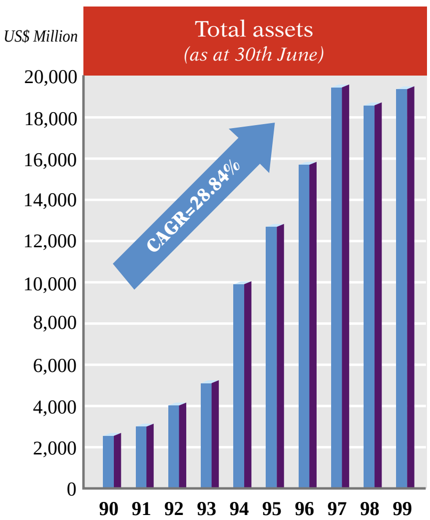
Operational Review



CAGR-Compound Average Growth Rate from financial years 1990 to 1999



CAGR-Compound Average Growth Rate from financial years 1990 to 1999



CAGR-Compound Average Growth Rate from financial years 1990 to 1999

Turnover

Overall turnover decreased by 5.5% due to decrease in all sectors as a result of the economic adjustment caused by the Asian financial turmoil. The property development and investment sector decreased by 9.3% mainly as a result of the depressed residential property market in Singapore. Turnover for the banking and financial sectors decreased by 3.9% while treasury management and investment activities and insurance business also contracted by 18.6% and 9.3% respectively.

Exceptional items

The Group reported an exceptional loss of HK$610 million compared to a loss of HK$776 million for the previous year. Taking into consideration of the downturn in the property markets in Hong Kong, Singapore and the PRC, the Group has made provisions for diminution in value of properties and in jointly controlled entities involved in property development projects totalling HK$1,449 million.

A provision of HK$233 million against diminution in value of our associated companies in the Philippines was made.

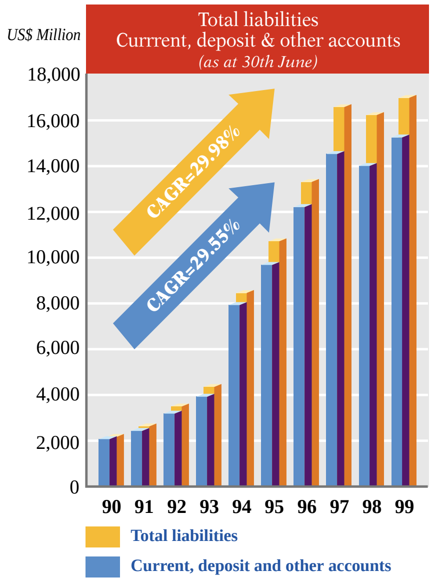
Also included in the exceptional items is a gain of HK$1,286 million due to the exercise of the put option to dispose our interest in ABN AMRO Asia (Holdings) Limited.

Adoption of SSAP24

The Group has adopted the new Statement of Standard Accounting Practice 24 “Accounting for investments in securities” issued by the Hong Kong Society of Accountants with effect from 1st July, 1998, which resulted in a change of accounting policy in respect of treasury bills, certificates of deposit, securities held for dealing purposes and investment securities. Debt securities intended to hold to maturity are accounted for as held-to-maturity securities. Other securities are accounted for using the benchmark treatment.

Operational Review

The effect of the change in accounting policy to the results for the financial year ended 30th June, 1998 was immaterial and the opening retained earnings for 1998/99 were not restated. The net profit for the year ended 30th June, 1999 was increased by HK$98.1 million.



CAGR-Compound Average Growth Rate from financial years 1990 to 1999

Capital and Finance

The Group's consolidated shareholders' funds as at 30th June, 1999 , after reflecting the current year retained profits and adjusting for the major items set out below, amounted to HK$10,891 million, representing a net asset value of HK$25.5 per share. The major adjustments are as follows:

1. Adjusting for revaluation deficit for investment properties of HK$431 million and net dilution loss re subsidiary and associated companies of HK$168 million; and

2. Written off of goodwill re associated companies amounted to HK$768 million in accordance with the prudent accounting policies of the Group.

Dao Heng Bank Limited's Consolidated Capital Adequacy Ratio as at 30th June, 1999 was 22.07% (1998: 21.51%) of which Tier I ratio was 16.99% (1998: 15.61%).

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 increasingly to manage our interest rate and foreign currency exposures. In view of the recent volatility of the regional currency markets, it is incumbent upon management to ensure the close and active monitoring of our foreign currency exposures so as to minimize the impact of the recent currency turmoil in this market.

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
1990	2,141,952	2,021,309	2,493,853	237,082	22,249	11,841
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	3,893,316	5,087,021	586,617	74,067	27,809
1994	8,446,938	7,916,644	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	14,502,705	19,428,627	1,753,233	277,268	46,828
1998	16,157,183	13,951,835	18,565,159	1,419,147	49,448	38,541
1999	16,956,281	15,208,183	19,338,881	1,403,985	78,928	33,005

HK$'000

Years	Total liabilities	Current, deposit and other accounts (Note 1)	Total assets	Shareholders' funds	Net profit after tax (Note 2)	Dividend
1990	16,681,521	15,741,956	19,422,130	1,846,397	173,280	92,220
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	30,163,466	39,411,696	4,544,815	573,833	215,298
1994	65,290,608	61,191,700	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	112,359,707	150,523,285	13,583,168	2,148,134	362,637
1998	125,193,932	108,105,793	143,852,134	10,996,260	383,148	298,642
1999	131,538,351	117,977,480	150,021,371	10,891,414	612,283	255,979

Notes:

1. The figures for 1990 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 1999 figures.
2. The figures for 1994 to 1999 were before transfer to general reserve by banking subsidiaries while those for 1990 to 1993 were after such transfers.

Financial Section

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, 1999.

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	15,941	54,753
Property development and investment	323,961	23,775
Stockbroking	5,824	3,503
Insurance	20,251	14,447
	365,977	96,478
Less: Financial expenses		(62,966)
		33,512
Banking and financing	1,338,135	176,694
	1,704,112	210,206

(b) By geographical location of operations:

	Turnover Percentage	Operating profit Percentage
Hong Kong	79%	78%
Asia (excluding Hong Kong)	20%	21%
Others	1%	1%
	100%	100%

ACCOUNTS

The consolidated net profit of the Group for the year ended 30th June, 1999 and the state of the Company's and the Group's affairs at that date are set out in the accounts on pages 44 to 82.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

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

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to US$176,000 (1998: US$284,000).

DIVIDENDS

An interim dividend of HK$0.10 (1998: HK$0.20) per share totalling HK$42,663,000 (1998: HK$85,326,000) was paid on 16th April, 1999. The directors are recommending payment of a final dividend in respect of the year ended 30th June, 1999 of HK$0.50 (1998: HK$0.50) per share totalling HK$213,316,000 (1998: HK$213,316,000).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 8th November, 1999 to 12th November, 1999, 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 5th November, 1999.

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 23 to the accounts on page 74.

Under an executive share option scheme adopted by Dao Heng Bank Group Limited ("DHBG"), a subsidiary of the Company, in November 1993, options were granted in respect of a total of 20,135,000 ordinary shares under the scheme to various directors and executives of DHBG. Such 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 year, options in respect of 670,200 shares in DHBG were exercised.

During the year, First Capital Corporation Ltd ("FCC"), a subsidiary of the Company, issued 87,900,892 seven per cent non-redeemable convertible cumulative preference shares ("NCCPS") of S$0.01 each in the capital of FCC at an issue price of S$1.00 each under a rights issue on the basis of three NCCPS for every ten ordinary shares of S$1.00 each held in the capital of FCC. An aggregate of 38,269,617 NCCPS were converted into 38,269,617 ordinary shares of S$1.00 each in the capital of FCC during the year.

On 31st December, 1998, FCC adopted an executive share option scheme which was further approved by The Stock Exchange of Hong Kong Limited and the shareholders of the Company at the Special General Meeting held on 1st February, 1999. During the year, options were granted in respect of an aggregate of 5,380,000 ordinary shares in FCC to key executives of FCC and options in respect of 40,000 ordinary shares in FCC were cancelled. As at 30th June, 1999, none of the above share options had been exercised.

A total of 29,800,000 new ordinary shares of S$1.00 each in the capital of FCC were placed to an independent investor at an issue price of S$1.65 per share on 5th May, 1999.

Report of the Directors

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 18 on the accounts.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in Note 24 on the accounts.

SUBSIDIARIES

Particulars of the principal subsidiaries of the Company are set out in Note 15 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	(appointed on 23rd November, 1998)

* *Non-executive director*
** *Independent non-executive director*

In accordance with Clause 77 of the Company's Bye-Laws, Mr. Jamal Al-Babtain retires at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

In accordance with Clauses 82 and 83 of the Company's Bye-Laws, Messrs. Sat Pal Khattar and Tan Lim Heng retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than normal statutory obligations.

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, 1999, 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 maintained 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

	Number of shares				
Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total 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	2,000	–	–	13,000
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 the securities of associated corporations

		Number of shares				
Director	Name of Company	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests
Quek Leng Chan	Dao Heng Bank Group Limited	11,000	–	496,854,664 *(Note)*	–	496,865,664
	Guoco Land Limited	–	–	184,983,706 *(Note)*	–	184,983,706
	Guoco Land Limited (Warrants)	–	–	22,793,281 *(Note)*	–	22,793,281
	First Capital Corporation Ltd	662,261	–	181,128,299 *(Note)*	–	181,790,560
	First Capital Corporation Ltd (NCCPS**)	53,833	–	39,483,489 *(Note)*	–	39,537,322
	Hong Leong Credit Berhad	3,218,000	–	336,998,645 *(Note)*	–	340,216,645
	Guoco Holdings (Philippines), Inc.	–	–	866,610,220 *(Note)*	–	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**)	–	–	4,494,908	–	4,494,908
Kwek Leng San	Dao Heng Bank Group Limited	7,000	–	–	–	7,000
Randolph Gordon Sullivan	Dao Heng Bank Group Limited	180,000	–	–	–	180,000
Tan Lim Heng	Guoco Land Limited	4,960,000	–	–	–	4,960,000
	Hong Leong Credit Berhad	117,000	–	–	–	117,000

Note : 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.

** NCCPS - Non-redeemable convertible cumulative preference shares

Report of the Directors

DIRECTORS' INTERESTS IN SECURITIES (CONT'D)

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	2,000,000
Kwek Leng San	300,000
Randolph Gordon Sullivan	2,000,000
Harry Richard Wilkinson	300,000

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 a subscription price of HK$21.82 per share during the period from 15th April, 1998 to 15th July, 2002. During the year ended 30th June, 1999, none of the directors exercised any share options in DHBG.

Apart from the above, as at 30th June, 1999, 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, 1999, 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:

	Number of shares held in the Company			
Name	Direct Interests	Deemed Interests	Total Interests	Note
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
Templeton Global Advisors, Ltd. ("TGA")	44,963,000	–	44,963,000	4
Franklin Resources, Inc. ("FRI")	–	44,963,000	44,963,000	4
Templeton Worldwide, Inc. ("TWI")	–	44,963,000	44,963,000	4
Templeton International, Inc. ("TII")	–	44,963,000	44,963,000	4
T.G.H. Holdings Ltd. ("TGH")	–	44,963,000	44,963,000	4

Report of the Directors

SUBSTANTIAL SHAREHOLDERS (CONT'D)

Note :

1. 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.

2. 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.

3. 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.

4. FRI, TWI, TII and TGH (collectively as "Franklin Templeton Group") were deemed to be interested in 44,963,000 shares in the Company with respect to their interests in TGA pursuant to Section 8 of the SDI Ordinance. On 9th August, 1999, Franklin Templeton Group reported to the Company that its interest has been reduced to below 10% of the issued share capital of the Company and ceased to have a notifiable interest.

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.

LOANS, OVERDRAFTS AND OTHER BORROWINGS

As at 30th June, 1999, the Group had bank loans, overdrafts and other borrowings which were repayable as follows:

	Bank loans and overdrafts US$'000	**Other borrowings** US$'000
On demand or within 1 year	177,472	85,631
After 1 year but within 2 years	228,584	–
After 2 years but within 5 years	453,530	349,477
After 5 years	–	268,620
	682,114	618,097
	859,586	703,728

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

Report of the Directors

INTEREST CAPITALISED

Interest capitalised by the Group in respect of development properties during the year amounted to approximately US$12.7 million (1998: approximately US$64.4 million).

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

Provision of credit facility

On 3rd June, 1997, the Company provided a standby credit facility ("Facility") of up to HK$350 million to Guoco Land Limited ("GLL"), a subsidiary of the Company, pursuant to a facility letter from the Company and accepted by GLL, for the purpose of meeting GLL's working capital requirements from time to time and to support the development of GLL as the property development arm of the Group. The Facility will be provided to GLL on terms that are better than ordinary commercial terms available to GLL, will be unsecured, ranking pari passu with other unsecured borrowings and be repayable to the Company on demand. As at 30th June, 1999, a total advance of HK$129,500,000 was made to GLL under the Facility.

Tenancy Agreements

1. On 2nd April, 1998, HL Bank, a branch of Hong Leong Bank Berhad ("HLBB") accepted the offer by First Capital Land Pte Ltd, 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 and HLBB.

2. On 25th August, 1998, a tenancy agreement was entered into between Supreme Goal Investments Limited ("SGIL"), a wholly-owned subsidiary of Guoco Land Limited ("GLL"), and Dao Heng Securities Limited ("DHS"), a wholly-owned subsidiary of the Company, in respect of the letting of Portion A of the 12th Floor of The Center, 99 Queen's Road Central, Hong Kong with a gross floor area of approximately 16,730 sq.ft. to DHS for a term of two years at a monthly rental of HK$468,440. There was an option to renew for two further years at the then market rental to be agreed between the parties.

3. On 25th August, 1998, a tenancy agreement was entered into between SGIL and Dao Heng Fund Management Limited ("DHFM"), a wholly-owned subsidiary of the Company, in respect of the letting of Portion B of the 12th Floor of The Center with a gross floor area of approximately 6,978 sq.ft. to DHFM for a term of two years at a monthly rental of HK$195,384. There was an option to renew for two further years at the then market rental to be agreed between the parties.

4. On 15th January, 1999, a tenancy agreement was entered into between W.C.H. Limited ("WCH"), a wholly-owned subsidiary of GLL, and Dao Heng Bank Limited ("DHB"), a wholly-owned subsidiary of Dao Heng Bank Group Limited, in respect of the letting of the premises at 33rd, 34th and 35th Floors of Wu Chung House, No. 213 Queen's Road East, Hong Kong with a gross floor area of approximately 73,674 sq.ft. to DHB for a term of two years at a monthly rental of HK$1,105,110. There was an option to renew for two further years at the then market rental to be agreed between the parties. The aforesaid lease was a renewal of a tenancy agreement which expired on 14th January, 1999.

Report of the Directors

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (CONT'D)

Tenancy Agreements (Cont'd)

5. On 1st February, 1999, a tenancy agreement was entered into between Wanchai Property Investment Limited ("WPIL"), a wholly-owned subsidiary of GLL, and DHB in respect of the letting of the premises at 19th Floor, O.T.B. Building, 160 Gloucester Road, Hong Kong with a gross floor area of approximately 7,344 sq.ft. to DHB for a term of two years at a monthly rental of HK$110,160. There was an option to renew for two further years at the then market rental to be agreed between the parties.

Reimbursement of renovation costs

On 25th August, 1998, DHB entered into a reimbursement agreement with SGIL, DHS and DHFM whereby all parties agreed to reimburse the actual costs for the renovation of the 12th Floor of The Center incurred by DHB. The actual costs were assessed by the relevant contractor as to the actual costs incurred in each of the three office areas and in the shared areas. The apportioned amounts were reimbursed by the relevant companies to DHB during the year.

Sale and purchase agreements

1. On 25th August, 1998, a conditional sub-sub-sale and sub-sub-purchase agreement ("Agreement") was entered into between SGIL and DHB in respect of the sale of the 11th Floor, The Center from SGIL to DHB for a cash consideration of HK$185 million. The consideration was determined with reference to the valuation of an independent property valuer as at 25th August, 1998. The Agreement was conditional upon the written approval of the Land Development Corporation and The Directors of Lands Department to the sale of the property and the approval by the independent shareholders of GLL, the holding company of SGIL. The Agreement became unconditional in September 1998 and sale of property was completed on 12th October, 1998.

2. On 26th February, 1999, a Pre-Sale Contract for Foreign Sales Property and a Supplemental Agreement thereto were entered into between Beijing Minghua Property Development Co., Ltd. ("Beijing Minghua") and DHB whereby DHB agreed to purchase Rooms 821 and 822, 8th Floor, Block B, Corporate Square, No. 35 Finance Street, Xi Cheng District, Beijing, the People's Republic of China, with a total gross floor area of approximately 309 square metres for a cash consideration of US$648,900. The consideration was determined after arm's length negotiations with reference to the valuation of the Corporate Square by an independent property valuer as at 31st July, 1998 and the transacted price of units or floors in Corporate Square between Beijing Minghua and independent third parties. Beijing Minghua is a 75% subsidiary of Guoco Properties Limited ("GPL"), a subsidiary which is owned as to 55% by the Company and 45% by FCC.

3. On 30th April, 1999, First Capital Properties Pte Ltd ("FCP") granted an option in respect of the en-bloc sale of its properties at 170-178 Paya Lebar Road, Singapore to Trumarq (Asia) Pte Ltd as the purchaser. The sale was subject to, inter alia, tenancies at that time being and approval by the shareholders of FCP. The total purchase price for the sale was S$21.5 million and the sale was completed on 28th July, 1999. FCP is a wholly-owned subsidiary of FCC and the purchaser's ultimate holding company is Hong Leong Investments Holdings Pte Ltd. which is a deemed substantial shareholder of the Company.

4. On 6th August, 1999, Guoco Investments (China) Limited ("GIC"), a wholly-owned subsidiary of the Company entered into the following conditional sale of shares agreements:–

    (a) A sale of shares agreement ("SOYLEC Agreement") between GIC and O.Y.L. Industries Berhad ("OYLI") whereby OYLI agreed to acquire 24.5% equity interest held by GIC in Shenzhen O.Y.L. Electrical Co. Ltd. ("SOYLEC", a joint venture company with limited liability incorporated under the laws of the PRC) for a consideration of US$3,077,429.

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (CONT'D)

Sale and purchase agreements (Cont'd)

(b) A sale of shares agreement ("McQuay Agreement") between GIC and O.Y.L. Overseas Limited ("OYLO"), a wholly owned subsidiary of OYLI whereby OYLO agreed to acquire equity interests of 20% held by GIC in Shanghai McQuay Air Conditioning Co. Ltd. ("SMQAC", a joint venture company with limited liability incorporated under the laws of the PRC) and 20% and 24.5% interest of GIC in two Hong Kong incorporated companies, namely, McQuay Asia (Hong Kong) Limited ("MAHK") and McQuay Air-conditioning Limited ("MQAC") respectively for a total consideration of US$1,215,000.

The SOYLEC Agreement and McQuay Agreement are subject to the approval of shareholders of OYLI which shall be obtained within 4 months from the date of these agreements.

The purchase prices of the SOYLEC Agreement and McQuay Agreement were determined on a willing buyer and a willing seller basis on normal commercial terms with reference to the net assets of SOYLEC, SMQAC, MAHK and MQAC.

10% of the total purchase price was received by GIC upon execution of the SOYLEC Agreement and McQuay Agreement. The balance of the purchase price shall be paid to GIC on the date of the completion which shall be within one month of the date of approval by the shareholders of OYLI.

5. 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 was conditional upon the approval by the independent shareholders of GLL and Dao Heng Bank Group Limited.

   HK$48,103,000 being 10% of the total consideration was paid by DHB to SGIL as deposit upon signing of the Agreement. The balance of the consideration of HK$432,927,000 shall be payable by DHB upon completion of the Agreement. Completion of the Agreement is expected to take place on or before 20th November, 1999 but in any event not later than 30th December, 1999.

Service Agreements

1. On 21st January, 1997, GLL entered into a 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 GLL 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. The independent non-executive directors of the Company have reviewed such transaction and confirmed that the transaction was entered into in the ordinary and usual course of business of the Company, on normal commercial terms and on terms that are fair and reasonable so far as the shareholders of the Company are concerned and in accordance with the terms of the agreement governing such transaction.

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.

Report of the Directors

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (CONT'D)

Service Agreements (Cont'd)

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.

Loan to subsidiaries and associated companies

As at 30th June, 1999, the Company had advanced an aggregate of RM46.4 million (inclusive of accrued interest) to Guoman Hotels Limited ("GHL"), a wholly-owned subsidiary of Guoman Hotel & Resort Holdings Sdn Bhd ("GHRH"), a company which is 30% owned by the Company and 70% owned by Hong Leong Properties Berhad ("HLPB"), a subsidiary of HLCM. Simultaneously, HLPB advanced an aggregate RM108 million to GHL and other wholly-owned subsidiaries of GHRH. Interest at the rate of 6% per annum was charged by the Company and HLPB respectively on the loans advanced.

As at 30th June, 1999, GIC and OYLO had advanced, for general funding purposes and on a pro rata basis, to MAHK the aggregate amounts of US$0.2 million and US$1.0 million respectively. Interest at the rate of 8% per annum was charged to MAHK by GIC and OYLO on the loans advanced. Mr. Quek Leng Chan is a substantial shareholder and director of the Company and OYLI.

As at 30th June, 1999, the Company and FCC had advanced, 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$94.1 million and US$76.99 million respectively. Interest at the rate of 5.5% per annum was charged to GPL by the Company and FCC on the loans advanced.

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.

The Company operates an Executive Share Option Scheme ("Scheme") enabling eligible employees, including directors of the Company, to acquire shares in the Company. Mr. Kwek Leng Hai held shares in the Company acquired under the terms of the Scheme.

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.

Report of the Directors

PROPERTIES

Particulars of the major development properties and investment properties of the Group are shown on pages 83 to 84.

PRE-EMPTIVE RIGHTS

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

AUDITORS

On 19th November, 1998, our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name.

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, 6th October, 1999

Auditors' Report

KPMG

TO THE SHAREHOLDERS OF GUOCO GROUP LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the accounts on pages 44 to 82 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, in all material respects, of the state of affairs of the Company and of the Group as at 30th June, 1999 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.

KPMG
Certified Public Accountants

Hong Kong, 6th October, 1999

Consolidated Profit and Loss Account

For the year ended 30th June, 1999

	Note	1999 US$'000	1998 US$'000	1999 HK$'000 (Note 33)	1998 HK$'000
Turnover	3	**1,704,112**	1,804,649	**13,219,649**	13,983,323
Operating profit		**210,206**	234,428	**1,630,672**	1,816,466
Exceptional items	4	**(78,637)**	(100,165)	**(610,027)**	(776,129)
Operating profit on ordinary activities		**131,569**	134,263	**1,020,645**	1,040,337
Share of (losses)/profits of associated companies		**(13,473)**	15,784	**(104,517)**	122,302
Share of profits of jointly controlled entities		**1,078**	906	**8,363**	7,020
Profit before taxation	5	**119,174**	150,953	**924,491**	1,169,659
Taxation	6	**(45,064)**	(60,055)	**(349,584)**	(465,336)
Profit after taxation		**74,110**	90,898	**574,907**	704,323
Minority interests		**4,818**	(41,450)	**37,376**	(321,175)
Profit attributable to shareholders	10	**78,928**	49,448	**612,283**	383,148
Appropriations:					
Dividends	11	**(33,005)**	(38,541)	**(255,979)**	(298,642)
Retained profit for the year	24	**45,923**	10,907	**356,304**	84,506
Retained in:					
Company and subsidiaries		**58,331**	8,348	**452,559**	64,678
Associated companies		**(13,461)**	1,653	**(104,424)**	12,808
Jointly controlled entities		**1,053**	906	**8,169**	7,020
		45,923	10,907	**356,304**	84,506
		US$	US$	**HK$**	HK$
Earnings per share	12	**0.19**	0.12	**1.44**	0.90

The notes on pages 49 to 82 form part of these accounts.

Consolidated Balance Sheet

As at 30th June, 1999

	Note	1999 US$'000	1998 US$'000	1999 HK$'000 (Note 33)	1998 HK$'000
ASSETS					
Current assets	13	**16,350,759**	16,150,038	**126,841,013**	125,138,569
Held-to-maturity securities and investments securities	14	**1,319,969**	1,028,902	**10,239,660**	7,972,447
Interest in associated companies	16	**442,178**	470,309	**3,430,196**	3,644,189
Interest in jointly controlled entities	17	**48,310**	56,141	**374,765**	435,009
Fixed assets	18	**692,705**	458,772	**5,373,660**	3,554,795
Investment properties	19	**484,960**	400,997	**3,762,077**	3,107,125
		19,338,881	18,565,159	**150,021,371**	143,852,134
LIABILITIES					
Current liabilities	21	**15,619,776**	14,659,366	**121,170,413**	113,588,097
Proposed dividend	11	**27,498**	27,530	**213,316**	213,316
Deferred liabilities	22	**1,309,007**	1,470,287	**10,154,622**	11,392,519
		16,956,281	16,157,183	**131,538,351**	125,193,932
SHAREHOLDERS' FUNDS					
Share capital	23	**213,316**	213,316	**1,654,799**	1,652,879
Reserves	24	**1,190,669**	1,205,831	**9,236,615**	9,343,381
		1,403,985	1,419,147	**10,891,414**	10,996,260
MINORITY INTERESTS	25	**978,615**	988,829	**7,591,606**	7,661,942
		19,338,881	18,565,159	**150,021,371**	143,852,134

Approved by the Board of Directors on 6th October, 1999

Kwek Leng Hai
Randolph Gordon Sullivan
Directors

The notes on pages 49 to 82 form part of these accounts.

Balance Sheet

As at 30th June, 1999

	Note	1999 US$'000	1998 US$'000	1999 HK$'000 (Note 33)	1998 HK$'000
ASSETS					
Current assets	13	**65**	42	**504**	326
Interest in subsidiaries	15	**1,246,358**	1,173,338	**9,668,622**	9,091,609
Interest in associated companies	16	**38,492**	37,785	**298,602**	292,777
		1,284,915	1,211,165	**9,967,728**	9,384,712
LIABILITIES					
Current liabilities	21	**625,114**	568,325	**4,849,322**	4,403,666
Proposed dividend	11	**27,498**	27,530	**213,316**	213,316
		652,612	595,855	**5,062,638**	4,616,982
SHAREHOLDERS' FUNDS					
Share capital	23	**213,316**	213,316	**1,654,799**	1,652,879
Reserves	24	**418,987**	401,994	**3,250,291**	3,114,851
		632,303	615,310	**4,905,090**	4,767,730
		1,284,915	1,211,165	**9,967,728**	9,384,712

Approved by the Board of Directors on 6th October, 1999

Kwek Leng Hai
Randolph Gordon Sullivan
Directors

The notes on pages 49 to 82 form part of these accounts.

Consolidated Cash Flow Statement

For the year ended 30th June, 1999

	Note	1999 US$'000	1998 US$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	26(a)	**2,130,786**	(234,080)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		**4,021**	13,347
Interest paid		**(113,334)**	(107,035)
Dividends received on equity investments		**2,171**	6,283
Dividends received from associated companies		**1,903**	5,278
Dividends paid to minority shareholders in subsidiaries		**(50,406)**	(41,509)
Dividends paid		**(33,037)**	(44,051)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		**(188,682)**	(167,687)
TAXATION			
Hong Kong profits tax		**(6,750)**	(28,320)
Overseas taxation		**(40,928)**	(37,519)
TAX PAID		**(47,678)**	(65,839)
INVESTING ACTIVITIES			
Redemption of ordinary share capital by a subsidiary		**(4,432)**	(7,451)
Additional investments in subsidiaries		**–**	(21,436)
Purchase of investment securities		**(1,259,753)**	(211,740)
Purchase of interest in associated companies		**(20,868)**	(81,811)
Net repayment from/(advance to) associated companies		**3,203**	(51,500)
Proceeds from disposal of associated companies		**218,406**	126
Proceeds from disposal of investment securities		**389,454**	33,246
Purchase of fixed assets		**(261,819)**	(18,914)
Proceeds from disposal of premises/fixed assets		**4,323**	574
Additions of investment properties		**(129,511)**	–
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(1,060,997)**	(358,906)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		**833,429**	(826,512)

Consolidated Cash Flow Statement

	Note	1999 US$'000	1998 US$'000
FINANCING	26(b)		
Redemption of preference shares by a subsidiary		**(41,214)**	(23,290)
New issue of ordinary & preference shares in a subsidiary		**45,950**	–
Redemption of certificates of deposit		**(767,891)**	(382,870)
Issuance of certificates of deposit		**733,833**	420,276
Short term bank loans		**(234,311)**	74,376
Other short term borrowings		**(41,688)**	(2,215)
Long term bank loans repayable within 5 years		**10,886**	121,562
Long term notes and bonds		**(57,559)**	68,835
Expenses paid by a subsidiary for issue of ordinary shares		**–**	(1,832)
Contribution from minority shareholders		**34,034**	50,732
NET CASH (OUTFLOW)/INFLOW FROM FINANCING		**(317,960)**	325,574
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**515,469**	(500,938)
EXCHANGE RATE ADJUSTMENT ON CASH AND CASH EQUIVALENT		**(5,860)**	(17,555)
CASH AND CASH EQUIVALENTS AS AT 1ST JULY	26(c)	**5,678,908**	6,197,401
CASH AND CASH EQUIVALENTS AS AT 30TH JUNE	26(c)	**6,188,517**	5,678,908

Notes on the Accounts

(Expressed in United States dollars)

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 net assets of subsidiaries, associated companies 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 and associated companies against reserves in the year of acquisition.

In previous years, goodwill arising on acquisition of associated companies was included in interest in asssociated companies. During the year, the Group changed its policy in accounting for goodwill of associated companies to be in line with the accounting policy adopted for goodwill arising on acquisition of subsidiaries.

This change, which has been applied retrospectively, has decreased the previously reported interest in associated companies and consolidated capital and other reserves as at 30th June, 1998 by US$99,019,000, reflecting the set-off of the amount of goodwill as at that date.

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 and Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants. The accounts also comply with the disclosure provisions of the Hong Kong Securities (Stock Exchange Listing) Rules.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Revenue recognition

(i) Revenue arising from the sale of goods is recognised upon the delivery of goods to customers.

(ii) Dividend income is recognised as follows:

- dividends from subsidiaries are recognised at the end of the subsidiaries' financial period to which such dividends relate;
- dividends from listed investments are recognised when the share price of such investments goes ex-dividend; and
- interim dividends from unlisted investments are recognised when the directors of such investments declare such dividends; final dividends from unlisted investments are recognised when the shareholders of such investments approve the dividends proposed by the directors at the general meeting.

(iii) Interest income is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

(iv) Service fee income is recognised based on the stage of completion of the service rendered.

Notes on the Accounts

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(a) Revenue recognition (Cont'd)

(v) Profit on the disposal of properties under development 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.

(vi) Profit 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.

(vii) Rental income from operating leases is recognised on a straight line basis over the period of the respective leases.

(b) Investments

(i) Securities

The Group has adopted the new Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities" issued by the Hong Kong Society of Accountants with effect from 1st July, 1998 which resulted in a change of accounting policy in respect of treasury bills, certificates of deposit, securities held for dealing purposes and investment securities. Debt securities intended to hold to maturity are accounted for as held-to-maturity securities. Other securities are accounted for using the benchmark treatment.

This change in accounting policy was applied retrospectively in the financial year 1997/98. As the amount of resulting adjustments relating to periods prior to 1st July, 1997 is immaterial, the opening retained earnings for 1997/98 were not restated. The effect of the change in the accounting policy to the results for the financial year ended 30th June, 1998 was immaterial and the opening retained earnings for 1998/99 were not restated. The net profit for the year ended 30th June, 1999 was increased by US$12,642,000. Comparative figures for the year ended 30th June, 1998 were restated to reflect the change in accounting policy.

Held-to-maturity securities

Investment in dated debt securities which are intended to be held-to-maturity securities are stated in the balance sheet at cost adjusted for the amortisation of premiums or discounts arising on acquisitions, less any provisions for diminution in value.

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 are stated in the balance sheet at cost less any provisions for diminution in value.

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.

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.

Notes on the Accounts

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(b) Investments (Cont'd)

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.

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 accounted for in the profit and loss account as they arise.

(ii) Investments 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.

Investments in subsidiaries are stated in the Company's balance sheet at cost less provision for permanent diminution in value as determined by the directors.

(iii) Investments in associated companies

An associated company 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 associated companies for the year. In the consolidated balance sheet, investments in associated companies are stated at the Group's share of their net assets plus any goodwill on the acquistions not yet written off.

(iv) Investments in jointly controlled entities

A joint venture is 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, investments in jointly controlled entities are stated at the Group's share of their net assets plus any goodwill on the acquistions not yet written off.

Notes on the Accounts

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(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 17 "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.

(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 premises, 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.

Notes on the Accounts

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(d) Investment properties

Investment properties 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. 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.

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.

(e) Properties held for resale

Properties held for resale are included in the balance sheet as current assets and 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.

(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.

Notes on the Accounts

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(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 loan portfolio. 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

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, associated companies 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, associated companies and jointly controlled entities which are dealt with in reserves.

(n) Insurance operations

The insurance results are determined after making provision for unexpired risks and outstanding claims.

(o) Retirement cost

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

Notes on the Accounts

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(p) 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 "Advances to customers and other accounts less provisions" in the balance sheet. Unrealised losses on transactions which are marked to market are included in "Other accounts and provisions".

(q) 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.

3. TURNOVER

Group turnover for the year includes reinsurance, brokerage, underwriting and other commission, interest income, insurance premiums earned, dividend income, rental income and net investment income and property disposal income. It also includes net interest income, commission, fees and other revenues earned from banking.

4. EXCEPTIONAL ITEMS

	The Group	
	1999	1998
	US$'000	US$'000
Provision for diminution in value of development properties	**(168,521)**	(63,773)
Provision for investment in associated companies	**(30,030)**	(645)
Provision for investment in jointly controlled entities	**(18,235)**	(12,390)
Loss on disposal of properties	**(12,935)**	–
Net loss on disposal of investment securities excluding banking operations	**(5,470)**	–
Net profit on disposal of associated companies	**156,554**	–
Exchange loss on foreign currency monetary assets and liabilities excluding banking operation	**–**	(23,357)
	(78,637)	(100,165)

Notes on the Accounts

5. PROFIT BEFORE TAXATION

Profit before taxation of the Group is arrived at after charging:

	1999 US$'000	1998 US$'000
Interest on bank advances and short term borrowings repayable within 5 years (Note)	75,704	113,413
Less : Borrowing costs capitalised into properties under development	(12,738)	(64,407)
	62,966	49,006
Cost of properties held for resale sold	44,422	3,201
Depreciation	22,238	17,418
Auditors' remuneration	992	1,213
Operating lease charges		
– properties	7,253	9,640
– others	14,974	13,505
Realised losses on disposal of investment securities	1,076	116
Retirement scheme contributions	7,989	7,535

and after crediting:

	1999 US$'000	1998 US$'000
Realised and unrealised gains/(losses) on other investment securities	50,896	(28,086)
Other (losses)/profits from dealing activities	(908)	9,645
Write back/(provision) on held-to-maturity securities and investment securities	5,026	(5,121)
Dividend income from investments (Note)		
– listed	1,531	1,879
– unlisted	149	5,737
Rental income less outgoings	20,976	19,273
Interest earned (Note)	4,051	14,746

Note: Excluding Dao Heng Bank Limited group

6. TAXATION

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

The taxation charge is made up as follows:

	The Group	
	1999 US$'000	1998 US$'000
Hong Kong profits tax	26,241	23,971
Overseas taxation	28,284	15,158
Deferred taxation (Note 22(b))	(9,474)	6,795
	45,051	45,924
Share of associated companies' taxation	(12)	14,131
Share of jointly controlled entity's taxation	25	–
	45,064	60,055

Notes on the Accounts

7. DIRECTORS' REMUNERATION

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

	1999 US$'000	1998 US$'000
Fees	208	195
Salaries, allowances and benefits in kind	1,807	1,731
Retirement scheme contribution	104	61
Discretionary bonuses	509	1,695
	2,628	3,682

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

	1999 US$'000	1998 US$'000
Fees	86	86

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

US$	1999 Number of Directors	1998 Number of Directors
0 – 150,000	5	4
150,001 – 200,000	1	1
650,001 – 700,000	1	–
750,001 – 800,000	1	–
800,001 – 850,000	1	–
950,001 – 1,000,000	–	1
1,050,001 – 1,100,000	–	1
1,250,001 – 1,300,000	–	1
	9	8

8. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Among the five highest paid individuals of the Group, three (1998: three) are directors whose remuneration is disclosed in Note 7. The remuneration of the other two (1998: two) is as follows:

	The Group	
	1999	1998
	US$'000	US$'000
Fees	**–**	14
Salaries, allowances and benefits in kind	**605**	723
Retirement scheme contribution	**8**	28
Discretionary bonuses	**730**	247
	1,343	1,012

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

	1999 Number of Individuals	1998 Number of Individuals
US$		
500,001 – 550,000	**1**	2
800,001 – 850,000	**1**	–
	2	2

9. LOANS TO OFFICERS

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

	Aggregate amount of relevant loans outstanding at 30th June		Maximum aggregate amount of relevant loans outstanding during the year	
	1999	1998	**1999**	1998
	US$'000	US$'000	**US$'000**	US$'000
Relevant loans made by subsidiary banks	**340**	669	**3,429**	3,530

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group profit attributable to shareholders includes a profit of US$49,998,000 (1998 : US$43,033,000) which has been dealt with in the accounts of the Company.

Notes on the Accounts

11. DIVIDENDS

	1999 US$'000	1998 US$'000
Interim dividend of HK$0.10 per share (1998 : HK$0.20 per share)	**5,507**	11,011
Final dividend of HK$0.50 per share (1998 : HK$0.50 per share)	**27,498**	27,530
	33,005	38,541

12. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of US$78,928,000 (1998: US$49,448,000) and on the 426,631,086 shares (1998: 426,631,086 shares) in issue during the year.

13. CURRENT ASSETS

	The Group		The Company	
	1999 US$'000	1998 US$'000	1999 US$'000	1998 US$'000
Cash and short term funds	**5,181,850**	5,539,277	**1**	3
Placements with banks maturing between one and twelve months	**1,043,893**	283,883	**–**	–
Certificates of deposit	**222,090**	218,275	**–**	–
Other investments in securities (Note a)	**429,457**	129,072	**–**	–
Advances to customers and other accounts less provision (Notes b and c)	**8,651,047**	8,661,839	**64**	39
Development properties (Note d)	**822,422**	1,273,219	**–**	–
Properties held for resale	**–**	44,473	**–**	–
	16,350,759	16,150,038	**65**	42

Notes on the Accounts

13. CURRENT ASSETS (CONT'D)

Note:

(a) Other investments in securities

	The Group		The Company	
	1999	1998	1999	1998
	US$'000	US$'000	US$'000	US$'000
Debt securities				
Listed				
in Hong Kong	36,964	20,210	–	–
outside Hong Kong	11,722	9,432	–	–
	48,686	29,642	–	–
Unlisted	256,891	73,351	–	–
	305,577	102,993	–	–
Equity securities				
Listed				
in Hong Kong	14,816	11,138	–	–
outside Hong Kong	109,064	14,941	–	–
	123,880	26,079	–	–
	429,457	129,072	–	–
Market value of listed other investment in securities				
Debt securities	48,686	29,642	–	–
Equity securities	123,880	23,599	–	–
	172,566	53,241	–	–

(b) Included in advances to customers is net investment in hire purchase contracts of the Group of approximately US$714,968,000 (1998: US$748,336,000) and trade bills less provision of US$81,334,000 (1998: US$99,291,000).

At 30th June, 1999, the cost of assets acquired by the Group for the purpose of letting under the above hire purchase contracts amounted to approximately US$800 million (1998: US$869 million).

The rental receivable by the Group during the year in respect of hire purchase contracts amounted to approximately US$336 million (1998: US$344 million).

(c) This amount mainly comprises advances granted by the banking group.

(d) Development properties

	The Group	
	1999	1998
	US$'000	US$'000
Cost as at 30th June	1,592,250	1,935,786
Add: Attributable (loss)/profit	(31,543)	370,533
Less: Provision for foreseeable loss	(169,870)	(58,117)
Less: Progress instalments received and receivable	(568,415)	(974,983)
	822,422	1,273,219

Notes on the Accounts

14. HELD-TO-MATURITY SECURITIES AND INVESTMENT SECURITIES

	The Group 1999 US$'000	The Group 1998 US$'000	The Company 1999 US$'000	The Company 1998 US$'000
(a) Held-to-maturity securities				
Listed				
In Hong Kong	31,970	–	–	–
Outside Hong Kong	692,237	629,843	–	–
	724,207	629,843	–	–
Unlisted	524,600	253,763	–	–
	1,248,807	883,606	–	–
(b) Investment securities				
Debt securities				
Listed				
Outside Hong Kong	3,259	–	–	–
Unlisted	12,726	14,929	–	–
	15,985	14,929	–	–
Equity securities				
Listed				
In Hong Kong	17	18,502	–	–
Outside Hong Kong	46,543	61,079	–	–
	46,560	79,581	–	–
Unlisted	8,617	50,786	–	–
	55,177	130,367	–	–
Total investment securities	71,162	145,296	–	–
Total held-to-maturity securities and investment securities	1,319,969	1,028,902	–	–
Market value of listed securities				
Debt securities	739,159	627,754	–	–
Equity securities	54,715	46,252	–	–
	793,874	674,006	–	–

During the year, held-to-maturity securities with an amortised cost of US$120 million were disposed of at a profit of US$6 million being recognised in the profit and loss account. Management sold these held-to-maturity securities as a result of the disposal of the underlying liabilities being hedged.

15. INTEREST IN SUBSIDIARIES

	The Company 1999 US$'000	The Company 1998 US$'000
Listed shares	344,671	344,671
Unlisted shares	24,546	24,546
Dividends receivable	44,855	41,680
Amounts due from subsidiaries		
– loans	801,505	724,205
– deposits	30,781	38,236
	1,246,358	1,173,338
Market value of listed shares	2,228,881	705,350

Notes on the Accounts

15. 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	Percentage held by the 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		69	Property development
China Fine Development Limited	10,000 shares of HK$1 each		69	Property development
Eagleman Development Limited	10,000 shares of HK$1 each		69	Property development
Superwell Properties Limited	10,000 shares of HK$1 each		69	Property development
Asia Fountain Investment Company Limited	2 shares of HK$10 each		100	Investment trading
Guoco Land Limited	253,259,289 shares of HK$2 each		63	Property development and investment

Notes on the Accounts

15. 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	Percentage held by the Group	Principal activities
Cheltenham Investments Pte Ltd	500,000 shares of S$1 each		50	Investment holding
Chiltern Park Development Pte Ltd	28,300,000 shares of S$1 each		50	Property development
Everian Holdings Pte Ltd	2 shares of S$1 each		50	Investment holding
First Bedok Land Pte Ltd	72,000,000 shares of S$1 each		40	Property development
First Capital Asia Pte Limited	19,000,000 shares of S$1 each		50	Investment holding
First Capital Asia Land Pte Limited	39,000,000 shares of S$1 each		50	Property development
First Capital Corporation Ltd	361,072,592 shares of S$1 each		50	Investment holding
First Capital Development Pte Ltd	1,000,000 shares of S$1 each		50	Property investment
Elias Development Pte Ltd	7,500,000 shares of S$1 each		50	Property development
First Capital Fund Management Pte Ltd	1,000,000 shares of S$1 each		50	Fund management & advisory services
First Capital Hotels Pte Ltd	2 shares of S$1 each		50	Investment holding
First Capital Insurance Limited (Note 1)	25,000,000 shares of S$1 each		49	General insurance & reinsurance
Da Zhong Investment Pte Limited (Note 1)	4,000,000 shares of S$1 each		49	Investment holding
Prime Underwriting Managers (Pte) Ltd (Note 1)	200,000 shares of S$1 each		49	Underwriting managers
First Capital Investment Ltd	10,000,000 shares of S$1 each		50	Investment trading
First Capital Land Pte Ltd	70,000,000 shares of S$1 each		50	Property investment
First Capital Management Pte Ltd	500,000 shares of S$1 each		50	Provision of management services
First Capital Properties Pte Ltd	10,000,000 shares of S$1 each		50	Property investment
First Cavendish Development Pte Ltd	23,400,000 shares of S$1 each		50	Property development

Notes on the Accounts

15. 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	Percentage held by the Group	Principal activities
Garden Palace Development Pte Ltd (formerly known as First Bishan Land Pte Ltd)	80,000,000 shares of S$1 each		45	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		50	Property development
Tanamera Development Pte Ltd	20,500,000 shares of S$1 each		50	Property development
A-Z Holdings Pte Ltd	27,000,000 shares of S$1 each		50	Investment holding & property investment
Branmil Holdings Pte Ltd	2 shares of S$1 each		50	Investment holding
Century Square Development Ltd	28,300,000 shares of S$1 each		50	Property investment & development
Chelford Pte Ltd	2 shares of S$1 each		50	Investment holding & trading
Fasidon Holdings Pte Ltd	77,112,700 shares of S$1 each		40	Property development
Fica Nominees Pte Ltd	2 shares of S$1 each		50	Investment holding and provision of nominee services
First Bukit Panjang Land Pte Ltd	71,190,000 shares of S$1 each		50	Property development
First Capital (Overseas) Pte Ltd	2 shares of S$1 each		50	Investment holding
First Capital Assets Pte Ltd	15,000,000 shares of S$1 each		50	Investment holding
FCC Equities Pte Ltd (formerly known as Mimax Ribbons Pte Ltd)	4,500,000 shares of S$1 each		50	Investment holding & trading
First Capital Holdings (HK) Pte Ltd	4,500,000 shares of S$1 each		50	Investment holding
First Capital Holdings (Thailand) Pte Ltd	2 shares of S$1 each		50	Investment holding
First Capital Holdings (U.K.) Pte Ltd	9,000,000 shares of S$1 each		50	Investment holding
First Capital Holdings Pte Ltd	2 shares of S$1 each		50	Investment holding

Notes on the Accounts

15. 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	Percentage held by the Group	Principal activities
First Capital Property Management Pte Ltd	2 shares of S$1 each		50	Property management marketing and maintenance services
First Capital Realty Pte Ltd	30,000,000 shares of S$1 each		50	Property development
First Changi Development Pte Ltd	44,446,750 shares of S$1 each		45	Property development
First Coventry Development Pte Ltd	17,830,000 shares of S$1 each		50	Property development
First Jurong Land Pte Ltd	89,630,000 shares of S$1 each		50	Property development
First Loyang Land Pte Ltd	55,834,697 shares of S$1 each		50	Property development
First Tanglin Land Pte Ltd	25,628,700 shares of S$1 each		50	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		50	Property investment
Leonie Land Pte Ltd (formerly known as First Kew Development Pte Ltd)	4,109,967 shares of S$1 each		50	Property development
Melville Park Development Pte Ltd	72,300,000 shares of S$1 each		40	Property development
Sanctuary Land Pte Ltd (formerly known as First Seacrest Pte Ltd)	60,000,000 shares of S$1 each		45	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	Percentage held by the Group	Principal activities	Issued and paid up preference share capital
Dao Heng Bank Group Limited (Note 3)	Bermuda	693,288,200 shares of US$0.50 each	71		Investment holding	
Guoco Securities (Bermuda) Limited (Note 3)	Bermuda	120,000 shares of US$0.10 each	100		Investment holding	
Guoco Properties Limited (Note 3)	Bermuda	20,000,000 shares of US$1 each	55	22	Investment holding	
Dao Heng Bank (London) Plc	United Kingdom	20,000,000 shares of £1 each		71	Banking	

Notes on the Accounts

15. 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	Percentage held by the Group	Principal activities	Issued and paid up preference share capital
Dao Heng Bank, Inc.	Philippines	22,500,000 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 (formerly known as DH Fund Management (BVI) Limited) (Note 3)	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 3)	British Virgin Islands	1 share of US$1 each	100		Investment holding	
Courtenay Enterprises Limited (Note 3)	British Virgin Islands	1 share of US$1 each		63	Property investment	
Reunification Properties Limited (Note 3)	British Virgin Islands	1 share of US$1 each		63	Investment holding	
Scorewell Corporation (Note 3)	British Virgin Islands	1 share of US$1 each		63	Investment holding	
Supreme Goal Investments Limited (Note 3)	British Virgin Islands	1 share of US$1 each		63	Property investment	
Taipo Limited (Note 3)	British Virgin Islands	1 share of US$1 each		63	Investment holding	
Wanchai Property Investment Limited (Note 3)	British Virgin Islands	500,000 shares of HK$1 each		63	Property investment	4,500,000 shares of HK$1 each
W.C.H. Limited (Note 3)	British Virgin Islands	500,000 shares of HK$1 each		63	Property investment	4,500,000 shares of HK$1 each
Fresco Resources Limited (Note 3)	British Virgin Islands	1 share of US$1 each	100		Investment holding	
Reservoir Resources Limited (Note 3)	British Virgin Islands	1 share of US$1 each	100		Investment holding	

Notes on the Accounts

15. 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	Percentage held by the Group	Principal activities	Issued and paid up preference share capital
Zeltand Holdings Limited	British Virgin Islands	10 shares of US$1 each		49	Investment holding	
Beijing Minghua Property Development Co., Ltd.	People's Republic of China	RMB 200,000,000 (Note 2)		58	Property development	
Suzhou China Fine Real Estate Development Co., Ltd.	People's Republic of China	RMB 22,468,709 (Note 2)		69	Property development	
Suzhou Superwell Real Estate Development Co., Ltd.	People's Republic of China	RMB 20,223,347 (Note 2)		69	Property development	
Suzhou Top Known Real Estate Development Co., Ltd.	People's Republic of China	RMB 36,292,454 (Note 2)		69	Property development	
Suzhou Eagleman Real Estate Development Co., Ltd.	People's Republic of China	RMB 39,869,392 (Note 2)		69	Property development	
Shanghai Yong Hao Property Co., Ltd.	People's Republic of China	RMB 182,723,085 (Note 2)		63	Property development	
Shanghai Hao Cheng Property Co., Ltd.	People's Republic of China	RMB 58,387,873 (Note 2)		73	Property development	

Note 1 : These companies have a financial year end of 31st December.

Note 2 : This comprises capital contribution to the company. The company has a defined period of existence.

Note 3 : These companies are operating in Hong Kong.

16. INTEREST IN ASSOCIATED COMPANIES

	The Group 1999 US$'000	The Group 1998 US$'000	The Company 1999 US$'000	The Company 1998 US$'000
Unlisted shares, at cost	**–**	–	**20,977**	20,977
Share of net assets other than goodwill	**391,512**	397,622	**–**	–
Less : Provision	**(9,900)**	(645)	**–**	–
	381,612	396,977	**20,977**	20,977
Amounts due from associated companies	**60,566**	73,332	**17,515**	16,808
	442,178	470,309	**38,492**	37,785

Notes on the Accounts

16. INTEREST IN ASSOCIATED COMPANIES (CONT'D)

Details of the principal associated companies are as follows:

Name of Company	Country of incorporation	Issued and paid up ordinary share capital	Percentage held by the Company	Percentage held by the Group	Principal activities
Camerlin (BVI) Limited	British Virgin Islands	10 shares of US$1 each		20	Investment holding
Perfect Idea Limited	Hong Kong	20 shares of HK$1 each		19	Property development
Hong Leong Credit Berhad	Malaysia	447,096,000 shares of M$1 each		20	Investment holding
Guoman Hotel & Resort Holdings Sdn. Bhd.	Malaysia	120,000,000 shares of M$1 each	30		Investment holding
Tiara Investment Holdings Limited	Mauritius	6,500,000 shares of US$1 each		20	Investment holding
Guoco Holdings (Philippines), Inc.	Philippines	2,367,149,383 shares of P1 each		36	Investment holding
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		20	Investment holding
First Capital Property Ventures Pte Limited	Singapore	100 shares of S$1 each		17	Investment holding
Stockton Investments Pte Limited	Singapore	10,000 shares of S$1 each		19	Investment holding
Benchmark Group Plc	United Kingdom	120,559,600 shares of 50 pence each		17	Property investment and development

17. INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group 1999 US$'000	The Group 1998 US$'000	The Company 1999 US$'000	The Company 1998 US$'000
Share of net assets	**7,691**	6,650	**–**	–
Amount due from jointly controlled entities	**71,229**	61,881	**–**	–
Less : Provisions	**(30,610)**	(12,390)	**–**	–
	48,310	56,141	**–**	–

Notes on the Accounts

17. INTEREST IN JOINTLY CONTROLLED ENTITIES (CONT'D)

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	Percentage held by the Group	Principal activities
Bushell Limited	Hong Kong	2 ordinary shares of HK$1 each		31	Property development
Hillfield Trading Limited	British Virgin Islands	2 ordinary shares of US$1 each		31	Investment holding
Regal Trophy Limited	British Virgin Islands	20 ordinary shares of US$1 each		15	Investment holding
World Glory Properties Limited	Hong Kong	2 ordinary shares of HK$1 each		15	Property development
Hutchison Dao Heng Card Limited (formerly known as Hutchison OTB Card Limited)	British Virgin Islands	1,000,000 ordinary shares of HK$1 each		35	Provision of agency services for credit card business

18. FIXED ASSETS

	Freehold & leasehold premises US$'000	Furniture, fittings & equipment US$'000	Total US$'000
The Group:			
Cost or valuation			
As at 1st July, 1998	437,146	85,701	522,847
Additions	226,771	14,807	241,578
Transfer from investment properties (Note 19)	20,241	–	20,241
Disposals	(4,933)	(5,806)	(10,739)
Exchange and other adjustments	(572)	59	(513)
As at 30th June, 1999	678,653	94,761	773,414
Accumulated depreciation			
As at 1st July, 1998	20,871	43,204	64,075
Charge for the year	10,925	11,313	22,238
Written back on disposal	(908)	(4,623)	(5,531)
Exchange and other adjustments	(22)	(51)	(73)
As at 30th June, 1999	30,866	49,843	80,709
Net book value as at 30th June, 1999	**647,787**	**44,918**	**692,705**
Net book value as at 30th June, 1998	416,275	42,497	458,772

18. FIXED ASSETS (CONT'D)

The analysis of net book value of premises is as follows:

	1999 US$'000	1998 US$'000
In Hong Kong		
– Leaseholds with over 50 years unexpired	**214,139**	215,096
– Leaseholds with between 10 years to 50 years unexpired	**415,194**	180,254
Overseas		
– Freehold	**9,382**	11,511
– Leaseholds with over 50 years unexpired	**343**	1,575
– Leaseholds with between 10 years to 50 years unexpired	**8,729**	7,839
	647,787	416,275

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

	1999 US$'000	1998 US$'000
At cost	**362,317**	118,890
At directors' valuation in October, 1993	**316,336**	318,256
	678,653	437,146

19. INVESTMENT PROPERTIES

	The Group US$'000
At Valuation	
As at 1st July, 1998	400,997
Additions	217,944
Transfer to fixed assets (Note 18)	(20,241)
Disposals	(24,697)
Deficit on revaluation	(91,662)
Exchange and other adjustments	2,619
As at 30th June, 1999	**484,960**

The Group's investment properties in Singapore were valued on 30th June, 1999 either based on committed selling prices or on an open market basis by Edmund NS Tie & Company Pte Ltd, an independent firm of professional valuers who are members of the Singapore Institute of Surveyors and Valuers.

The Group's investment properties in Hong Kong were revalued on 30th June, 1999 on an open market basis by an independent firm of professional valuers, FPDSavills, who have among their staff Associates of the Hong Kong Institute of Surveyors.

The Group's investment property in the People's Republic of China was stated at directors' valuation as at 30th June, 1999 with reference to an external valuation as at 1st April, 1999.

Certain investment properties were pledged to banks to secure banking facilities granted to subsidiaries or to secure the monies owing under the bonds issued by a subsidiary.

Notes on the Accounts

20. GOODWILL ARISING ON CONSOLIDATION

	The Group	
	1999	1998
	US$'000	US$'000
Additions during the year	–	5,229
Goodwill written off against capital and other reserves (Note 24(d))	–	(5,229)
As at 30th June	–	–

21. CURRENT LIABILITIES

	The Group		The Company	
	1999	1998	1999	1998
	US$'000	US$'000	US$'000	US$'000
Deposits and balances of other banks	572,046	843,646	–	–
Current, fixed, savings and other deposits of customers	11,939,976	10,935,856	–	–
Certificates of deposit	962,832	998,035	–	–
Other accounts and provisions	1,733,329	1,174,298	504	1,633
Taxation	73,950	69,814	27	27
Insurance funds	3,063	3,242	–	–
Bank loans and overdrafts				
– secured	124,705	266,609	–	–
– unsecured	52,767	253,039	34,649	84,638
Other loans				
– secured	85,631	41,257	–	–
– unsecured	–	479	–	–
Amounts due to subsidiaries	–	–	589,934	482,027
Amounts due to associated companies	6,787	6,755	–	–
Amounts due to jointly controlled entities	64,690	66,336	–	–
	15,619,776	14,659,366	625,114	568,325

Notes on the Accounts

22. DEFERRED LIABILITIES

	The Group		The Company	
	1999	1998	1999	1998
	US$'000	US$'000	US$'000	US$'000
Bank loans				
– secured				
– wholly repayable within 5 years	**437,114**	498,307	**–**	–
– unsecured	**245,000**	170,000	**–**	–
Long term notes and bonds (a)	**618,097**	783,843	**–**	–
Deferred taxation (b)	**8,796**	18,137	**–**	–
	1,309,007	1,470,287	**–**	–

(a) Long term notes and bonds

	The Group		The Company	
	1999	1998	1999	1998
	US$'000	US$'000	US$'000	US$'000
7.75% Subordinated Notes (Note (i))	**268,620**	350,000	**–**	–
Secured fixed rate bonds	**–**	85,007	**–**	–
Unsecured fixed rate bonds (Note (ii))	**87,977**	87,336	**–**	–
Unsecured floating rate notes (Note (iii))	**261,500**	261,500	**–**	–
	618,097	783,843	**–**	–

(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$81.4 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, 1999, the outstanding amount of the Notes issued by DHB was US$268.6 million (1998: US$350 million).

(ii) The S$150 million unsecured fixed rates bonds due September 2002 ("Bonds") were issued on 2nd September, 1997 at face value. The interest rate is at 5.35% p.a. The Bonds are redeemable at 100% of their principal amounts on 2nd September, 2002.

Notes on the Accounts

22. DEFERRED LIABILITIES (CONT'D)

(a) Long term notes and bonds (Cont'd)

(iii) The unsecured floating rate notes included:

a) 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.

b) The US$81.5 million unsecured Floating Rate Notes due June 2001 ("Notes") were issued on 7th June, 1996 at face value. The interest rate is 0.85% p.a. above the London Interbank Offer Rate.

The notes are redeemable at 100% of their principal amounts on 7th June, 2001.

(b) Deferred taxation

	The Group	
	1999	1998
	US$'000	US$'000
As at 1st July	**18,137**	13,660
Amount (written back) / charged during the year (Note 6)	**(9,474)**	6,795
Exchange adjustment	**133**	(2,318)
As at 30th June	**8,796**	18,137

(i) Deferred taxation arises from the timing difference 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) No provision for deferred taxation is required as there are net deferred tax assets for the Group. At the balance sheet date, the major components of the unprovided deferred tax assets are as follows:

	The Group	
	1999	1998
	US$'000	US$'000
Depreciation allowances in excess of depreciation charges	**(5,779)**	(5,544)
General provisions for bad and doubtful loans and advances	**16,721**	18,172
Tax losses	**33,901**	15,579
Provision for foreseeable loss	**25,390**	16,140
	70,233	44,347

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.

Notes on the Accounts

23. SHARE CAPITAL

	1999 US$'000	1998 US$'000
Authorised:		
1,000,000,000 shares of US$0.50 each	**500,000**	500,000
Issued and fully paid:		
426,631,086 shares of US$0.50 each	**213,316**	213,316

24. RESERVES

	The Group		The Company	
	1999 US$'000	1998 US$'000	1999 US$'000	1998 US$'000
(a) Share premium				
As at 1st July and 30th June	**235,122**	235,122	**235,122**	235,122
(b) Investment property revaluation reserve				
As at 1st July	**63,186**	111,550	–	–
Deficit arising on revaluation of investment properties	**(55,557)**	(29,432)	–	–
Exchange adjustment	**485**	(18,932)	–	–
As at 30th June	**8,114**	63,186	–	–
(c) Other property revaluation reserve				
As at 1st July	**64,489**	64,497	–	–
Exchange adjustment	**(63)**	(8)	–	–
As at 30th June	**64,426**	64,489	–	–
(d) Capital and other reserves				
As at 1st July (as previously reported)	**165,849**	165,324	–	–
Change in accounting policy with respect to goodwill re associated companies	**(99,019)**	(99,019)	–	–
	66,830	66,305	–	–
Capital reserve arising on share investment for subsidiaries	**1,532**	13,650	–	–
Net dilution loss re subsidiary and associated companies	**(21,643)**	–	–	–
Written off of goodwill arising on consolidation (Note 20)	–	(5,229)	–	–
Written off of capital reserve of associated companies	–	(9,619)	–	–
Transfer to retained profits of subsidiary and associated companies	**9,514**	1,104	–	–
Exchange and other adjustments during the year	**(159)**	619	–	–
As at 30th June	**56,074**	66,830	–	–

Notes on the Accounts

24. RESERVES (CONT'D)

	The Group		The Company	
	1999	1998	1999	1998
	US$'000	US$'000	US$'000	US$'000
(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 difference on translation of net investments in subsidiaries and associated companies				
As at 1st July	**(181,146)**	15,877	**6,744**	6,744
Transfer to retained profits on disposal of an associated company	**10,819**	–	**–**	–
Current year	**14,320**	(197,023)	**–**	–
As at 30th June	**(156,007)**	(181,146)	**6,744**	6,744
(h) Retained profits as at 1st July	**789,300**	779,497	**68,647**	64,155
Transfer from capital reserve by subsidiary and associated companies	**(9,514)**	(1,104)	**–**	–
Transfer from exchange difference on disposal of an associated company	**(10,819)**	–	**–**	–
Retained profits for the year	**45,923**	10,907	**16,993**	4,492
Retained profits as at 30th June	**814,890**	789,300	**85,640**	68,647
TOTAL RESERVES	**1,190,669**	1,205,831	**418,987**	401,994
Retained in				
Company and subsidiaries	**1,132,328**	1,021,585		
Associated companies	**59,062**	186,005		
Jointly controlled entities	**(721)**	(1,759)		
	1,190,669	1,205,831		

Notes:

(1) Distributable reserves of the Company as at 30th June, 1999 amounted to US$183,865,000 (1998: US$166,872,000).

25. MINORITY INTERESTS

Minority interests include the interests of preference shareholders in subsidiaries of US$123,255,000 (1998: US$141,485,000).

Notes on the Accounts

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	1999 US$'000	1998 US$'000
Operating profit	210,206	257,857
Exceptional items	(78,637)	(123,594)
Interest income	(4,051)	(14,746)
Interest expenses	62,966	49,006
Dividend income	(2,171)	(6,283)
Depreciation	22,238	17,418
Provision for bad and doubtful loans and advances	110,443	69,032
Advances written off net of recoveries	64,953	(31,247)
Provision for development properties	168,521	72,049
Provision for properties held for resale	–	4,759
Provision for investment properties	60,158	–
Loss on disposal of investment properties	472	–
Profit on disposal of interest in associated companies	(156,554)	–
Loss on sale of premises / fixed assets	13,105	559
Provision for diminution in value of investments in associated companies	30,030	–
Provision for diminution in value of investments in jointly controlled entities	18,235	–
(Write back) / provision for diminution in value of investments	(380)	23,429
Loss on disposal of investments securities	5,470	2,779
Profit on early redemption of long term notes and bonds	(23,341)	–
Net cash inflow from trading activities	501,663	321,018
Increase in advances to customers and other accounts less provisions	(208,653)	(12,862)
Increase in certificates of deposit	(4,068)	(73,680)
Decrease in other investment in securities	235,698	31,676
Decrease in trade bills less provisions	17,957	48,694
Decrease in development properties	258,833	28,335
Decrease in properties held for resale	32,200	409
Increase in other accounts and provisions	564,815	25,525
Decrease in insurance funds	(179)	(97)
Increase in current, fixed, savings and other deposits of customers	1,004,120	201,232
Decrease in deposits and balances of other banks	(271,600)	(804,330)
Net cash inflow / (outflow) from operating activities	2,130,786	(234,080)

Notes on the Accounts

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

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

	Certificates of deposit US$'000	Short term bank loans US$'000	Long term bank loans US$'000	Long term notes and bonds US$'000	Other borrowings US$'000	Total US$'000
Balance as at 1st July 1998	998,035	375,395	668,307	783,843	41,736	2,867,316
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	–	–	–	(143,190)	–	(143,190)
Profit upon early redemption	–	–	–	(23,341)	–	(23,341)
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**	**140,245**	**682,114**	**618,097**	**85,631**	**2,488,919**

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

	1999 US$'000	1998 US$'000
Cash and short term funds	**5,181,851**	5,539,278
Placements with banks	**1,043,893**	283,883
Bank loans and overdrafts	**(37,227)**	(144,253)
	6,188,517	5,678,908

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

	1999 US$'000	1998 US$'000
Bank loans and overdrafts		
– secured (Note 21)	**124,705**	266,609
– unsecured (Note 21)	**52,767**	253,039
	177,472	519,648
Classified as:		
maturity within three months	**37,227**	144,253
maturity exceed three months	**140,245**	375,395
	177,472	519,648

Notes on the Accounts

27. 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, 1999 was US$541,000 (1998: US$516,000) and the amount available for such use as at 30th June, 1999 was US$1,618,000 (1998: US$1,551,000).

28. POST BALANCE SHEET EVENTS

a. A conditional sale and purchase agreement was entered into on 27th September, 1999 between Dao Heng Bank Limited (“DHB”), a subsidiary of the Company, and Supreme Goal Investments Limited, another subsidiary of the Company, in respect of the purchase by DHB of the property situated at 16th, 17th and 18th Floors, The Center, 99 Queen’s Road Central, Hong Kong for a cash consideration of HK$481 million.

b. In July 1999, First Capital Corporation Limited (“FCC”), a subsidiary of the Company raised S$100 million through a S$50 million unsecured 3-year 6.875% fixed rate bonds (“Bonds”), a S$50 million unsecured 3-year 7% transferable loan facility (“TLF”) and an issue of up to 20 million warrants.

   The warrants will be issued, on the basis of 1 warrant for every S$5 of financing provided, to the respective TLF lenders and bondholders. Each warrant will entitle its holder to subscribe for 1 new ordinary share of S$1.00 each in the capital of FCC at an exercise price which will vary depending on FCC Group’s market share price immediately before the exercise of the warrant, subject to a minimum of S$1.93.

   The net proceeds arising from the Bonds and TLF were used to refinance a portion of the S$200 million 5% redeemable cumulative preference shares redeemed by FCC on 8th July, 1999.

c. In September 1999, FCC entered into a Sale and Purchase Agreement to sell its 100% interest in a wholly-owned subsidiary, Century Square Development Ltd (“CSD”) and its interest in a loan to CSD for an aggregate consideration of S$200 million. The sale is in conjunction with the sale and asset securitisation of one of the FCC Group’s investment properties, Century Square. Also in conjunction with the aforementioned securitisation, the FCC Group redeemed the S$146 million 5% secured bonds due April 2002 in September 1999.

Notes on the Accounts

29. COMMITMENTS

(a) As at 30th June, 1999, the Group had capital commitments as follows:

	1999	1998
	US$'000	US$'000
Authorized and contracted for	**14,911**	128,247
Authorized but not contracted for	**7,878**	6,282
	22,789	134,529

(b) As at 30th June, 1999, the Group had commitments under operating leases to make payments in the next year as follows:

	1999		1998	
	Properties	**Others**	Properties	Others
	US$'000	**US$'000**	US$'000	US$'000
Leases expiring:				
Within 1 year	**1,547**	**1,092**	2,839	1,215
After 1 year but within 5 years	**5,616**	**1,867**	3,199	1,536
After 5 years	**233**	**5**	87	–
	7,396	**2,964**	6,125	2,751

(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, 1999.

30. 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 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.

Notes on the Accounts

30. MATERIAL RELATED PARTY TRANSACTIONS (CONT'D)

(a) Banking transactions

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

	The Group	
	1999	1998
	US$'000	US$'000
Interest expense	**221**	958
Interest income	**876**	547

(ii) Balance as at 30th June

	The Group	
	1999	1998
	US$'000	US$'000
Current, fixed, savings and other deposit of customers	**1,565**	6,851
Cash and short term funds	**52,192**	5,484

(b) Rental income

Rental income of US$862,000 (1998: US$808,000) 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, 1999 amounted to US$5.7 million (1998: US$7.7 million).

(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, 1999, the Group made a total contribution of US$8.4 million to the scheme (1998: US$7.9 million).

Notes on the Accounts

30. MATERIAL RELATED PARTY TRANSACTIONS (CONT'D)

(e) Transaction with jointly controlled entities

The Group maintains an interest free shareholders' loan to a jointly controlled entity, Hutchison Dao Heng Card Limited (Formerly known as Hutchison OTB Card Limited). The balance as at 30th June, 1999 was US$1.9 million (1998: US$1.9 million) and deposit taken from the jointly controlled entity as at 30th June, 1999 was US$56.7 million (1998:US$ 60.7 million).

The Company's subsidiary, Guoco Land Limited, through a wholly-owned subsidiary made loans to a jointly controlled entity pro rata to its interest in it. The loan is unsecured and bears interest at 0.01% per annum with no fixed terms of repayment. As at 30th June, 1999, the loan balance amounted to US$27.8 million (1998: US$27.1 million).

The Company's subsidiary, Guoco Land Limited, through a wholly-owned subsidiary made loans to a jointly controlled entity pro rata to its interest in it. The loan is unsecured and interest free with no fixed terms of repayment. As at 30th June, 1999, the loan balance amounted to US$43.5 million (1998: US$34.8 million).

(f) Transaction 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, 1999 for key management personnel of the Group were US$5.8 million (1998:US$5.8 million), all interest rates in connection with the credit facilities extended are under terms and conditions normally applicable to customers of comparable standing.

(g) Loans to associated companies

As at 30th June, 1999, the Company had advanced an aggregate of RM46.4 million (1998 : RM43.7 million) to an associated company pro rata to its interest in it. The loan is unsecured and bears interest at the rates of 6% per annum.

As at 30th June, 1999, the Company's subsidiary had advanced an aggregate of US$0.2 million (1998: US$0.2 million) to an associated company pro rata to its interest in it. The loan is unsecured and bears interest at the rate of 8% per annum.

The Company's subsidiary, Guoco Land Limited, through a wholly-owned subsidiary made loans to an associated company pro rata to its interest in it. The loan is unsecured and interest free with no fixed terms of repayment. As at 30th June, 1999 the loans balance amounted to US$3.2 million (1998: US$18.5 million).

Notes on the Accounts

30. MATERIAL RELATED PARTY TRANSACTIONS (CONT'D)

(h) Sale and purchase of property

On 30th April, 1999, First Capital Properties Pte Ltd ("FCP") granted an option in respect of the en-bloc sale of its properties at 170-178 Paya Lebar Road, Singapore to Trumarq (Asia) Pte Ltd as the purchaser. The sale was subject to, inter alia, tenancies at that time being and approval by the shareholders of FCP. The total purchase price for the sale was S$21.5 million and the sale was completed on 28th July, 1999. FCP is a wholly-owned subsidiary of FCC and the purchaser's ultimate holding company is Hong Leong Investments Holdings Pte Ltd which is a deemed substantial shareholder of the Company.

31. CONTINGENT LIABILITIES

	The Group	
	1999	1998
	US$'000	US$'000
Direct credit substitutes	**65,805**	105,171
Transaction-related contingencies	**31,618**	5,550
Trade-related contingencies	**253,005**	315,495
Other commitments:		
With an original maturity of under 1 year or which are unconditionally cancellable	**2,537,390**	3,361,628
Others	**–**	122,227
	2,887,818	3,910,071

As at 30th June, 1999, there were contingent liabilities in respect of guarantees given to bankers by the Company to secure banking facilities to the extent of US$408,917,000 (1998: US$590,763,000) granted to group companies.

32. COMPARATIVE FIGURES

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

33. 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	Gross floor area	Group's interest
				sq. m	*sq. m*	%
Stratford Court Situated at Upper Changi	Residential	CSC obtained on 29th June, 1999	N/A	25,697	35,976	45
Aquarius By The Park Situated at Bedok Reservoir	Residential	Phase 1 - Superstructure & architectural works in progress	3/2001	} 41,316	86,760	50
	Residential	Phase 2 - Superstructure & architectural works in progress	3/2002	}		
Sanctuary Green Site Situated at Tanjong Rhu Road	Residential	Piling completed	9/2002	23,586	66,040	45
Nathan Place Site Situated at Nathan Road	Residential	Planning	6/2003	4,421	6,189	40
Site Situated at Sin Ming Ave/Sin Ming Walk	Residential	Piling completed	3/2003	34,949	87,357	45
Site Situated at Paterson Road	Residential	Planning	3/2004	7,454	15,652	50
Site Situated at Sin Ming Ave/Bright Hill Drive	Residential	Planning	12/2003	6,800	19,038	50
Robinson Centre 61 Robinson Road	Commercial	Superstructure works in progress	9/2000	1,405	15,733	50
Maysprings Site Situated at Petir Road	Residential	CSC obtained on 27th March, 1999	N/A	25,000	75,000	50
Westville Site Situated at Jurong West Avenue 5 in the district of Choa Chu Kang	Residential	CSC obtained on 5th March, 1999	N/A	90,237	76,135	50

List of Properties

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 #11-01 to #11-07 #11-09, #19-01 to #19-05 80 Marine Parade Road Singapore 449269	Office rental	99 years lease w.e.f. 17/8/1979
170, 172, 174, 176, 178 Paya Lebar Road Singapore 409025/26/27/28/30	Industrial rental	Freehold
Kovan Centre 9, Yio Chu Kang Road Singapore 545523	Retail rental	Freehold
Century Square - Retail 2 Tampines Central 5 Singapore 529509	Retail rental	99 years lease w.e.f. 1/9/1992
17th, 18th, 19th, 22nd 24th, 25th, 26th & 27th floors, penthouse, and car parking spaces nos 9, 10, 11, 12, 13 & 14 on 2nd floor of the Overseas Trust Bank Building, No. 160 Gloucester Road, Wanchai, Hong Kong	Office	Long
15th, 16th, 17th and 18th floors of The Center, 99 Queen's Road Central, Hong Kong	Office	Medium
Land Parcel at No. 7 District C of Jinrong Street, Beijing (Beijing Finance Street)	Office rental	50 years lease w.e.f. 19/7/1995