

**GUOCO GROUP LTD :
THINGS ARE MUCH WORSE THAN
THEY APPEAR ON THE SURFACE, FOLKS**

If it had not been for the sale of one of the 'family jewels' in the last Financial Year, Guoco Group Ltd would have had to report an Exceptional Loss of about \$HK1.81 billion, which is about \$HK1.20 billion more than that Exceptional Loss as stated in the Consolidated Profit and Loss Account of the Group for the 1999 Financial Year, ended June 30.

This one material aspect of the accounts of this massive banking/financial/property group jumps out the moment that one starts to read the 1999 Annual Report of Guoco, carefully.

The Exceptional Items are stated on Page 55 of this Report, under Note 4, as follows:

	1999	1998
	<i>(All figures are denominated in \$US'000)</i>	
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)	NIL
Net loss on disposal of investment securities excluding banking operations	(5,470)	NIL
Net profit on disposal of associated companies	156,554	NIL
Exchange loss on foreign currency monetary assets and liabilities excluding banking operation	NIL	(23,357)
	----- (78,637) =====	----- (100,165) =====

The only positive figure in Note 4 is the \$US156,554,000 (about \$HK1,204 million) figure, being the Net Profit on the disposal of associated companies.

This disposal was, in fact, the sale of one of the Group's former 'jewels': ABN AMRO Asia (Holdings) Ltd.

This Company appears to have been sold for \$US218,406,000 (about \$HK1,679.54 million) on which disposal, Chairman Quek Leng Chan has stated that an Exceptional Gain of \$HK1,286 million had been logged in.

With regard to this lone item, Chairman Quek stated, on Page 5 of the 1999 Annual Report: *'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.'*

Had it not been for this 'timely exceptional gain', the Operating Profit on Ordinary Activities would have been about \$HK179 million, instead of the stated \$HK1.02 billion, which included the profit from the sale.

This \$HK179-million Operating Profit would have compared very unfavourably with the 1998 Year when the Operating Profit on Ordinary Activities was in the Accounts of the Group at about \$HK1.04 billion.

What a shocker such a public revelation would have been for investors, who had purchased shares of Guoco Group Ltd, had they been openly and clearly apprised of this situation in a similar way that TARGET has explained it!

(Not everybody is able to read a Profit and Loss Account, let alone a Balance Sheet)

The fact is that if the sale of ABN AMBRO had not materialised in the ... [CLICK TO ORDER FULL ARTICLE](#)

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