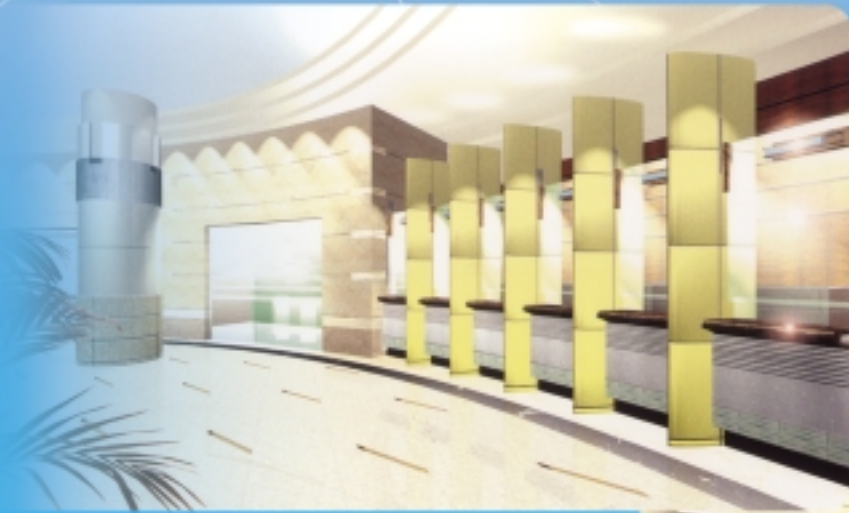
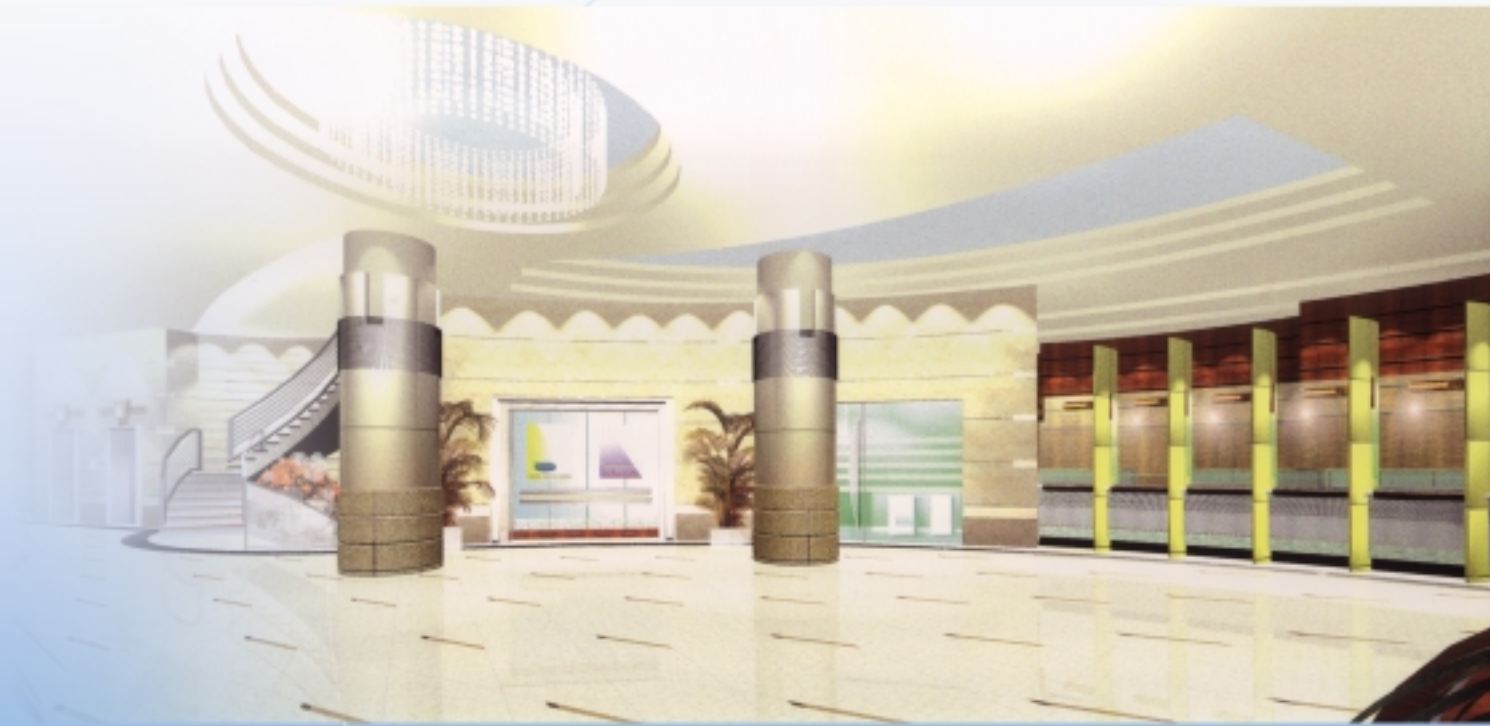


2000 ANNUAL REPORT



滙業財經集團®

Delta Asia Financial Group



*The banking hall of The Bank Centre,
Banco Delta Asia's new head office in Macau.*

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Corporate Profile

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Corporate Profile

Delta Asia Financial Group

Background

The Delta Asia Financial Group is a full-fledged banking and financial services group encompassing the territories of Macau and Hong Kong. Its banking arm in Macau, Banco Delta Asia S.A.R.L. (formerly known as Banco Hang Sang, S.A.R.L.), and its deposit taking subsidiary in Hong Kong, Delta Asia Credit Limited (formerly known as Foreign Exchange and Investment Ltd.), started their operations in Macau and Hong Kong in 1935 and 1962 respectively. Today, the Delta Asia Financial Group is well-known for its four core business activities, viz., trade financing, treasury services, consumer credits and investment banking.

Corporate Mission

We will endeavour to satisfy our customers' banking and financial needs by providing professional services and collaborating with our customers in expanding their business into the developing markets in the Asia-Pacific Region.

We are committed to Hong Kong and Macau as our headquarters. To transit into the 21st century, we will strive to enhance the reputation and status of these two cities as major international financial markets.

Holding Group

Delta Asia Group (Holdings) Ltd.

Major Subsidiaries

Banco Delta Asia S.A.R.L.

Delta Asia Credit Ltd.

Delta Asia Securities Ltd.

Delta Asia Financial Futures Ltd.

Delta Asia Insurance Ltd.*

Delta Asia Finance Ltd.

Delta Asia Research Ltd.

Delta Asia Properties Ltd.

Delta Asia (Nominees) Ltd.

Delta Asia Nominee Services Ltd.

Delta Asia Secretarial Services Ltd.

Delta Asia Insurance Agency Ltd.

* Change of name in process from Forex Insurance Company (Macau) Limited

Website

www.delta-asia.com

Scope of Services

Deposit Taking

- Current and savings accounts in local and foreign currencies
- Fixed-term deposits in local and foreign currencies
- Multi-purpose accounts

Trade Financing

- Issuance of letters of credit
- Trust receipt financing
- Export DA/DP bill discounting and collection
- Packing credit
- Negotiation of export bills

Treasury Services

- Foreign exchange spot and futures dealing
- Foreign currency banknote dealing
- Mail and telegraphic transfers and demand drafts
- Physical gold and gold futures trading
- Foreign currency cheque negotiation
- Issuance of travellers' cheques

Commercial / Consumer Loans

- Mortgage loans
- Machinery and equipment financing
- Consumer goods instalment loans
- Accounts receivable financing
- Gold loans
- Various kinds of commercial lending

Investment & Merchant Banking Services

- Stock broking, financial futures and options broking
- Underwriting of new issues and placement of securities
- Merger and acquisition advisory services
- Portfolio management
- Offering of unit trusts and mutual funds
- Fixed and floating-rate bonds
- Custodial services

Insurance Agency Services

- Fire, marine and accident insurance
- Motor vehicle insurance

Company Registration and Related Services

- Company formation, secretarial, accounting and other related services
- Nominee services
- Substitution of document and re-invoicing services

Delta Asia Financial Group

Directors

AU Chong Kit, Stanley
AU Wing Ngok *
BUCHMANN Urs *
CROCKETT David *
KHOO Boo Kheng, Terence *
LAU Kai Hing *
LAU Siu Lun, David
LEUNG Chi Ping, Michael MBE *
LEUNG Tim Chiu, Richard
MAR Selwyn *
MUSHKAT Miron
WEN Carson *

* Non-Executive Director

Senior Management Executives

AU Chong Kit, Stanley
Group Chairman & Chief Executive Officer

LEUNG Tim Chiu, Richard
Group Vice Chairman & Deputy Chief Executive Officer

MUSHKAT Miron
Group Chief Financial Officer and Principal Strategist

LAU Siu Lun, David
Executive Director

FUNG Kam Cheung, Jack
Executive Director

CHAN Pat Lam, David
Personal Assistant to Chairman

Banco Delta Asia S.A.R.L.

NG Chi Wai, Philip
Executive Director and Chief Co-ordinator

LAM Yin Lun, David
Executive Director, Credit and Risk Management

LEE Chan Yue, Simon
Group Treasurer

Delta Asia Credit Limited

LAU Siu Lun, David
Executive Director and Chief Executive

FUNG Kam Cheung, Jack
Executive Director and Alternate Chief Executive

LEE Shui King, Thomas
Senior Operations Manager

LEE Chan Yue, Simon
Group Treasurer

Delta Asia Securities Limited

AU Chong Kit, Stanley
Dealing Director

MUSHKAT Miron
Dealing Director

HO Chu Ming, George
Senior Manager, Business Development

YIM Kai Ming, Daniel
Operations Manager

Delta Asia Financial Futures Limited

DAI Kok Kwong
Dealing Director

Delta Asia Insurance Limited **

LUI King Yan, Stuart
Director

Group Supporting Services

SIN Chun Hung, Gilbert
Group Audit and Compliance Manager

LAU Siu Lun, David
Group Credit Controller

TANG Fook Keung
Group Financial Controller

YAU Man Chi, Terence
Group Senior IT Manager

HO Yuen Ling, Victoria
Group Marketing Communications Manager

Principal Solicitors

Johnson, Stokes and Master Solicitors & Notaries

19/F., Prince's Bldg., 10 Charter Road, Central,
Hong Kong.

Siao, Wen & Leung Solicitors & Notaries

15/F., Hang Seng Bldg., 77 Des Voeux Road Central,
Hong Kong.

Auditors

PricewaterhouseCoopers Certified Public

Accountants

33/F, Cheung Kong Center, 2 Queen's Road, Central,
Hong Kong.

** Change of name in process from Forex Insurance Company (Macau) Limited

Directors' Profile

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Directors' Profile

Mr. AU Chong Kit, Stanley

Mr. Au, 60, Group Chairman, founded the first company of the Delta Asia Financial Group in Hong Kong - Delta Asia Credit Ltd. (formerly known as Foreign Exchange and Investment Ltd.) - in 1962. He was one of the pioneers who initiated the concept of merchant banking and set up the international gold bullion market in Hong Kong during the early 1970's.

Mr. Au's outstanding achievements in the financial industry earned him recognition by the London Financial Times in 1976 and the German magazine 'Das Kapital' in 1977 as one of Hong Kong's most successful financiers. In 1993, Mr. Au was elected to the Council of the Stock Exchange of Hong Kong Limited and was re-elected in 1996 for a term of another three years.

Mr. AU Wing Ngok*

Mr. Au, 84, Honorary Chairman, founded the first member of the Group - Banco Delta Asia S.A.R.L. (formerly known as Banco Hang Sang S.A.R.L.) - in 1935 and continued to manage the bank until 1980 when he retired. He still serves as a member of the Board of Directors of Delta Asia Group (Holdings) Ltd.

Dr. BUCHMANN Urs*

Dr. Buchmann, 44, was appointed as a Non-Executive Director in August 2001. He joined Credit Suisse's corporate banking organization in Switzerland in 1985. In 1987, he moved on to be the Chief Representative of Credit Suisse Beijing Representative Office.

In 1996, he became a Managing Director acting as the Country Head of Credit Suisse China. In 2000, he was appointed as the Country President for Credit Suisse Financial Services, comprising both the Credit Suisse Banking as well as the Winterthur Insurance activities.

Since January 2000, Dr. Buchmann has also served as President of the Beijing Chapter of the Swiss Chinese Chamber of Commerce. Moreover, he is a Director of Winterthur Insurance Asia Ltd., as well as of several of Winterthur's insurance and pension fund companies in Poland and Hungary.

Mr. CROCKETT, David*

Mr. Crockett, 54, joined the Group first as a Non-Executive Director in April 1997, and then as its

Managing Director in November, 1997 until he subsequently retired at the end of year 2000. For almost three decades, he has been holding various senior positions in a number of major American banks and is experienced in domestic and international banking.

Prior to joining the Group, Mr. Crockett worked for banks in the United States, Switzerland, Japan and Taiwan.

Dr. KHOO Boo Kheng, Terence*

Dr. Khoo, 36, has been an Investment Director of Sofaer Global Research (HK), the region's largest hedge fund, since February 2000. Before that, he was an Associate Director of Indocam Asia Asset Management in charge of investment strategy. His career in the financial sector takes shape as he joined Lehman Brothers as Chief Regional Equity Strategist in 1995. He has also worked with Fuji International Finance, HSBC James Capel, and ICEA Securities respectively.

Before joining the financial sector, he was a Professor of Finance with the City University of Hong Kong.

Mr. LAU Kai Hing*

Mr. Lau, 54, carries on his own practice as a Certified Public Accountant and conducts management consultancy services. He worked previously for the Group for more than five years in various senior positions.

Mr. Lau holds a Master Degree in Information Systems and fellow membership in the Association of Chartered and Certified Accountants, the Chartered Institute of Management Accountants and the Institute of Chartered Secretaries and Administrators. He is also a fellow member of the Hong Kong Society of Accountants, the Taxation Institute of Hong Kong and the Hong Kong Institute of Company Secretaries, as well as a member of the Institute of Management (United Kingdom).

Mr. LAU Siu Lun, David

Mr. Lau, 55, joined the Group in 1996 and is now the Chief Executive of Delta Asia Credit Ltd. Mr. Lau graduated from University of Hong Kong with a degree in Economics. He is a fellow member of the Association of Chartered and Certified Accountants, an associate

member of the Hong Kong Institute of Bankers, the Hong Kong Society of Accountants, the Institute of Chartered Secretaries and Administrators and a senior associate of the Australian Institute of Banking and Finance.

Dr. LEUNG Chi Ping, Michael MBE*

Dr. Leung, 48, is the Chairman of Asia Security Reinsurance Agency Limited, a subsidiary company of the Toa Reinsurance Company Limited, Japan.

He is a fellow member of the Association of Chartered and Certified Accountants and an associate member of the Institute of Chartered Secretaries and Administrators. He holds a Master Degree in Business Administration from the University of Hull in England and a Doctorate Degree from the Pacific Institute of Science and Technology.

In 1991, Dr. Leung was selected by Junior Chamber of Commerce as one of the "Ten Outstanding Young Persons of Hong Kong" and was honoured with an MBE award in 1994.

Mr. LEUNG Tim Chiu, Richard

Mr. Leung, 48, joined the Group on 1st August 2001 as Group Vice Chairman and Deputy Chief Executive Officer. With 26 years of extensive banking experience, he was the Managing Director and Asia Region Head of HSBC Bank USA, formerly Republic National Bank of New York, prior to joining the Group. Before that, he has also held various senior positions at Citibank N.A. and Hang Seng Bank Limited respectively. He left Citibank N.A. as its Vice President of Treasury and Director of New Products in 1993.

Mr. MAR Selwyn*

Mr. Mar, 65, was appointed as a Non-Executive Director of the Group in July 1996. Mr. Mar graduated in Economics from the London School of Economics at London University. He is a Chartered Accountant, the Managing Partner of Charles Mar Fan & Co., Certified Public Accountants and the Managing Director of Marfan & Associates Limited. He is also a Non-Executive Director of Chen Hsong Holdings Ltd. and a Non-Executive Director of the Standard London (Asia) Ltd.

Mr. Mar was an Executive Director of the Sincere Company Ltd. during 1974 to 1994 and the President of the company between 1989 and 1994. He was also the President of Hong Kong Society of Accountants in 1991 and was a member of the Securities & Futures Appeals Panel and a Governor of the Chinese International School. Mr. Mar was involved in plastics industry as President of the Lion Rock Group of Companies in the 1970's.

Dr. MUSHKAT Miron

Dr. Miron Mushkat, 55, joined the Group as the Group Chief Financial Officer and Principal Strategist in February 2001. Prior to joining the Group, he was the Chief Economist at Indocam Asset Management, the asset management arm of France's largest bank Credit Agricole. He was previously Vice Chairman and Director of Economics & Strategy at its Asian branch. Before joining Indocam Asset Management, Dr. Mushkat served as Managing Director and Chief Economist at Lehman Brothers Asia, Director and Chief Economist at Baring Securities Asia, Professor at the University of Hong Kong and Professor at the Victoria University of Wellington in New Zealand. He was also for several years a member of Hong Kong Government's Transport Advisory Committee. Dr. Mushkat, who obtained his doctorate at the University of Manchester in the United Kingdom, is the author of numerous books and articles on Asian economic topics.

Mr. WEN Carson*

Mr. Wen, 48, has been a partner of Siao, Wen and Leung, Solicitors & Notaries for nineteen years. He is a Deputy to the National People's Congress of PRC, a member of the Selection Committee for the First Government of the Hong Kong Special Administrative Region of the PRC and a China-appointed Attesting Officer. He was a Hong Kong Affairs Advisor to the PRC State Council's Hong Kong and Macau Affairs Office. He also sits on various government advisory bodies and appeal boards. Mr. Wen holds a Master of Arts Degree from Oxford University and a Bachelor of Arts Degree from Columbia University.

** Non-Executive Directors*

Organisation Structure

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Organisation Structure



Five-Year Financial Summary

(all expressed in HK\$ Million)

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Five-Year Financial Summary

Consolidated Operating Results

	1996	1997	1998	1999	2000
Profit before bad & doubtful debts provisions	31.4	77.4	43.4	33.3	113.2
less: Bad & doubtful debts provisions	(3.3)	(21.3)	(81.3)	(17.4)	(27.2)
Profit/(loss) before taxation	28.1	56.1	(37.9)	15.9	86.0
less: Taxation	(4.5)	(10.8)	(1.4)	(1.1)	(3.0)
	23.6	45.3	(39.3)	14.8	83.0
less: Minority interest	(1.1)	(0.3)	1.9	(0.1)	(0.3)
Attributable profit/(loss)	22.5	45.0	(37.4)	14.7	82.7

Consolidated Balance Sheet

Cash and bank balance	981	898	960	1,152	1,701
Investments	80	69	361	236	149
Loans and advances	1,216	1,536	1,463	1,408	1,317
Fixed assets	132	133	133	134	168
Debtors & other assets	171	181	162	300	169
Total assets	2,580	2,817	3,079	3,230	3,504
Deposits and balance from banks	127	133	74	135	255
Customers' deposits	2,114	2,334	2,692	2,738	2,811
Taxation	1	1	8	9	11
Other liabilities	91	63	65	67	101
Total liabilities	2,333	2,531	2,839	2,949	3,178
Share capital	61	61	61	121	121
Reserves	122	142	138	135	133
Retained profits	54	73	33	17	63
Shareholders' funds	237	276	232	273	317
Minority interest	10	10	8	8	9
Capital employed	247	286	240	281	326
Total liabilities and equities	2,580	2,817	3,079	3,230	3,504

Financial Highlights

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Financial Highlights

(all expressed in HK\$ Million)

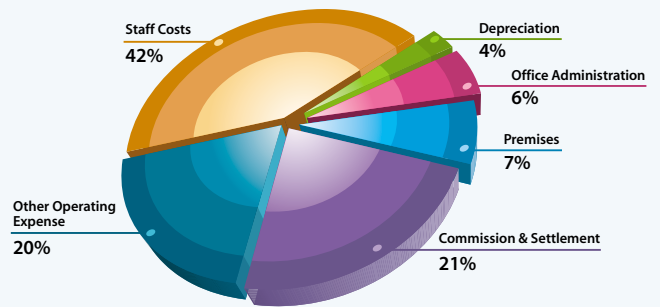
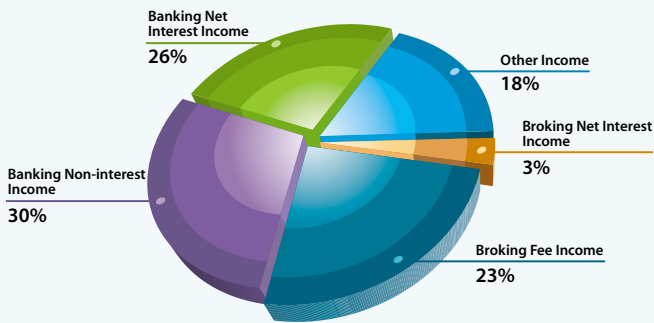
	2000	1999	Change %
Consolidation			
Operating profit before provisions	113.2	33.3	239.9%
Operating profit after provisions	86.0	15.9	440.9%
Profit attributable to shareholders	82.7	14.7	462.6%
At year-end:			
Total assets	3,504	3,230	8.5%
Shareholders' funds	317	273	16.1%
Banking Business			
Net interest income	74.4	64.8	14.8%
Non-interest income	84.9	51.7	64.2%
Non-interest income/total income	53.3%	44.4%	20.0%
At year-end:			
Loans and advances to customers	1,260	1,339	(5.9%)
Customers' deposits	2,792	2,618	6.6%
Loan to deposit ratio	40.4%	46.9%	(13.9%)
Capital adequacy ratio	15.0%	14.2%	5.6%
Share Broking Business			
Total value of transactions	20,229	13,189	53.4%
Net interest income	6.7	4.7	42.6%
Fee income	66.2	43.9	50.8%
At year-end:			
Margin accounts financing	57	69	(17.4%)

Year 2000

Group Income

Total HK\$ Million

284.6



Group Expense

Total HK\$ Million

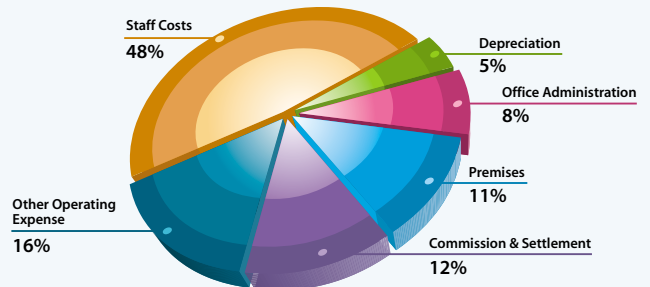
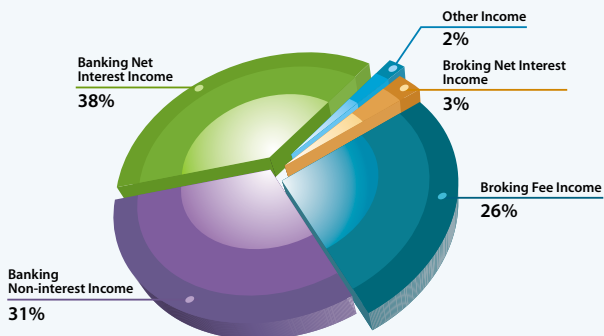
171.4

Year 1999

Group Income

Total HK\$ Million

171.1



Group Expense

Total HK\$ Million

137.8

Message from the Chairman

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Message from the Chairman



Stanley Au
Group Chairman

The year 2000 was one of economic recovery for both Hong Kong and Macau. During the year, the Hong Kong Gross Domestic Product climbed by 10.5% while the corresponding figure in Macau was 4.6%. Both economies were driven by the same external forces – robust exports and substantial increases in tourism. However, domestic consumption remained subdued and the property market continued to struggle. The buoyant equity market notwithstanding, wealth distribution thus became more uneven, leading to wider polarization between the rich and poor in both territories.

As highlighted in my last year's Message, we pursued an expansionary policy, which proved to be well timed. Because of the good match between our strategic posture and environmental conditions, we were able to achieve a net operating profit of HK\$83 million in the year 2000 versus that of HK\$15 million in the previous year. However, we were compelled to continue to set aside a sum of HK\$27 million to cover the non-performing debts relating to the provincial and municipal window companies, which continued to burden us during the period under review.

Overall, we fared very well, experiencing total deposit and total asset growth of 2.7% to HK\$2,811 million and 8.5% to HK\$3,504 million, respectively. At the same time, our shareholders' funds jumped to HK\$317 million, as we ploughed back our earnings for the year. Although our total loans outstanding remained steady at HK\$1,317 million, this obscures the fact that we were quite successful in upgrading the quality of our loan portfolios. Furthermore, for the second year in a row, our fee income exceeded net interest income.

An account of key events during the period under review would not be complete without mentioning the highlight of the year, namely the celebration of the Group's 65th Anniversary and the foundation stone laying ceremony of the headquarters building of Banco Delta Asia in Macau on September 29, 2000. The ceremony was inaugurated by the Chief Executive of the Macau Special Administrative Region Government and attended by more than 500 guests.

Looking forward to the year ahead, 2001 will prove challenging for financial institutions in the region, as the Gross Domestic Product growth of Hong Kong and Macau is expected to dip to the 2.5% and 2% levels, respectively. It is reasonable to assume in such circumstances that provisions for non-performing loans will escalate. Moreover, such institutions are currently engaged in a price war and thus confront the prospect of shrinking profit margins. This problem is further compounded by the Hong Kong Monetary Authority's decision to liberalize the Interest Rate Agreement on bank savings deposits in the territory, with the inevitable consequence of intensifying competitive pressures in the industry and driving up bank funding costs.

In response to the above challenges, we have adopted a policy featuring efforts to convert the Delta Asia Financial Group into a sales driven organization. We believe that it is sensible to endeavor to enhance our competitiveness by climbing on the economy of scale ladder rather than by cutting operational costs. We have also decided to increase our market penetration by using Internet Trading Systems and Electronic Banking Devices as access facilitating tools. We have now under

construction an Internet Stock Brokerage System, an Internet Foreign Exchange Trading System, and an Electronic Banking Platform, which are scheduled to come into service within the next six months. Furthermore, we are seeking ways to boost our fee income generation capabilities by strengthening our Asset Management business and Corporate Finance operation. To this end, we have invited Dr. Miron Mushkat, a leading economist and seasoned investment banker, to join us in February of this year as our Group Chief Financial Officer and Principal Strategist.

The difficulties confronting us notwithstanding, we remain confident in our ability to weather the storms ahead and achieve satisfactory results, although the net operating profit might be slightly lower because of the need to absorb heavy initial costs incurred in constructing the three expensive yet crucial Internet Platforms.

Finally, I wish to take advantage of this opportunity to thank the various regulators in Hong Kong and Macau for their guidance, the board members for their endless constructive advice, and the staff for their dedicated and loyal service. Without the benefits derived from these sources, the Delta Asia Financial Group would not have achieved such impressive results.

Stanley Au

Group Chairman

June, 2001

Business and Operations Review

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Performance

The Group continued to make impressive strides in shaking off the effects of the 1997-98 Asian financial crisis. The problems that surfaced during this period were largely contained and the focus shifted to exploiting business opportunities. The transition from an unproductive environment to a productive one proceeded smoothly due to the determined efforts of staff at all organizational levels and across the entire activity spectrum.

The Group recorded net profit attributable to shareholders of HK\$82.7 million in 2000, a figure 5.6 times higher than the HK\$14.7 million registered in 1999. This marked improvement was mainly due to a non-recurring profit from the disposal of the group's non-trading securities which contributed HK\$54.9 million to the total profit of the Group. Apart from the non-recurring profit, the Group's net interest income earned from banking operations reached HK\$74.4 million, representing growth of 14.8%. In addition, the Group successfully recorded a fee and commission income of HK\$107.1 million, showing an increase of 48.3% over the previous year. Overall, the Group's total income reached HK\$284.6 million in comparison with HK\$171.1 million in 1999, representing growth of 66.3%, or 34.2% if non-recurring income is excluded.

Financial Position

The total assets of the Group rose to HK\$3,503.6 million at the end of the year, representing an increase of 8.5% over the previous year.

Loans and customer deposits

Last year proved challenging for commercial banks in Hong Kong and Macau. Waning demand for traditional-

style commercial loans prompted banks to endeavour to shore up their position in the mortgage lending segment of market aggressively lowering pricing terms. The Group opted not to engage in such cut-throat competitive battles. Instead, our lending subsidiaries strategically shifted their focus towards SME loans and Trade Finance activities. This shift was implemented in a deliberately selective fashion. The Group's efforts were particularly channeled towards SME Loans, which offer attractive yields and a reasonable degree of diversification. Satisfactory progress was also made in areas such as Receivable Financing and Hire and Purchase Loans.

Total loans and advances of the Group amounted to HKD1,317 million at year end, 6.5% below the HKD1,408 million level reached in the preceding year. On the deposit side, the Group maintained its forward momentum, experiencing growth of 2.7% to HKD2,811 million, notwithstanding the adoption of a conservative policy regarding deposit rates. The divergence between the two patterns of growth continued to move the group towards an over-liquid situation, with the advances to deposit ratio sliding to 40.4%, substantially below the 46.9% recorded in the previous year.

Capital resources

Following the plough back of profits, the Group's shareholders' funds rose to HK\$316.5 million at the end of 2000. The Group's banking and deposit taking subsidiaries maintained comfortable capital adequacy ratios throughout the year. At the end of the year, the consolidated capital adequacy ratio was reported at 14.96%.

Liquidity

Through the effective management and prudent allocation of the Group's assets, the cash and bank balances and treasury bills amounted to HK\$1,450.6 million and HK\$46.6 million respectively at the balance sheet date.

The liquidity position of the banking and deposit taking subsidiaries stood at high levels throughout the year. The average liquidity ratio for the deposit taking subsidiary was maintained at a very healthy 65.8% mark. The Group's Assets and Liability Management Committee (ALCO) monitors closely its liquid assets and funding management process.

Investment in fixed assets

The Group maintains a long term commitment to upgrading the quality of its information systems and related equipment. During the year, the Group invested more than HK\$2 million to improve its computer hardware system configuration.

In addition, approximately HK\$2 million was channelled towards renovating two branches in Macau and the main entrance area in the Hong Kong head office.

By the same token, construction work on the new head office building in Macau started in September 2000. It is scheduled to be completed in the 4th quarter of 2001.

Operations Review

Organization and activities

The Board was assisted by five functional committees in shaping corporate strategies. The Executive Committee on behalf of the Board fine-tuned these strategies on a daily basis seeking balance among the following functions:

- Treasury and Branches
- Commercial and Consumer Banking
- Securities & Futures Broking
- Operations and Credit
- Group Supporting

Within this overall framework, senior management continued to propel the Group towards the highest possible standards of Corporate Governance.

Principal services

The Group provides extensive services to customers in Hong Kong and Macau through central offices and various branch outlets. A brief review of our services follows:

(a) Treasury

Treasury Department ("Treasury") has made significant enhancements in servicing clients in key business areas such as foreign exchange, banknotes, precious metals, remittance and fixed income. Trading facilities for clients are now provided on a round-the-clock basis to allow immediate response to favourable market movements.

The difficult and volatile currency and bullion market environment notwithstanding, customer transaction volume remained steady and contributed to overall profitability. The banknote business showed growth due to more vigorous marketing efforts in the face of progressively keener competition.

Treasury introduced fixed income securities that provided satisfactory returns, as enabling the Group to broaden the product range to its

Business and Operations Review (continued)

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customers in the process. This in turn proved a crucial factor in addressing their rising expectations and containing growing pressures from competitions.

Given the expectation that interest rates throughout the world will continue to slide, greater efforts and resources will be deployed to distribute the fixed-income instruments to the mass market, offering more clients the opportunity to benefit from this favourable trend.

(b) Retail Banking

The Group continued to do well in its core retail market in Macau through Banco Delta Asia S.A.R.L.(BDA). While achieving a satisfactory reduction in cost of deposits, and the resultant improvement in interest spread by 29%, BDA still managed to post a 6.6% growth in deposits to HKD2,876 million during the year. A steady expansion in customer base, particularly in securities and investment products, was achieved notwithstanding the escalating competitive pressures in the market. As part of an ongoing process of improving the quality of retail services, relocation and refurbishing of certain BDA branches were undertaken during the year and similar enhancements will be implemented in the months ahead. Such physical upgrading efforts were complemented by professional training programmes offered to the retail marketing team and the back office staff with a view to strengthening BDA's distribution capabilities for retail products, particularly new type of investment vehicles.

(c) Financing to Small and Medium Enterprises

Since the launch of the Small and Medium Enterprises ("SME") Loan two years ago, it became one of the main income contributors of the Group. Other similar vehicles such as Receivable Financing, Equipment and Machinery Loans are also expanding at a satisfactory pace. Financing to SME features prominently in the Group's expansion plans in both Macau and Hong Kong. More new products are being developed to cater to the needs of this segment of the customer base. Efforts to build on this higher yield portfolio will be sustained well into the future.

(d) Trade Financing

The policy of not accommodating large credits of an unsecured nature served the Group well. It resulted in improved lending yields and greater diversification of risk. The effectiveness of this stance manifested itself most palpably in the scarcity of provisionable new cases, although the Group still had to allocate resources for provision top-ups on certain old loans. The loan recovery team of the Group played a pivotal role in bringing about this positive outcome.

(e) Consumer Financing

Mortgage and Hire Purchase Loans remain a core business for the Group. In the face of increasingly keen market competition during the past few years, the relevant banking units managed to maintain healthy growth in this area in both Macau and Hong Kong. Moreover, taxi loans in Macau also grew to become a key component of the Group's high yield product range.

(f) Securities & futures broking

It was another fruitful year for the Group's securities and futures broking business. The broking division generated healthy profits with fee income amounting to HK\$66.2 million and the realization of Hong Kong Exchanges and Clearing Limited shares bringing net proceeds of HK\$54.89 million. This stellar performance enabled Delta Asia Securities Limited and Delta Asia Financial Futures Limited to declare payment of dividends of HK\$39.6 million and HK\$16.5 million, respectively, for the year to holding company. Broking business in Macau continued to contribute a stable stream of income to the overall operation and additional branching outlets were under planning.

In the launching of AMS/3 system by The Stock Exchange of Hong Kong, the Group's securities arm was one of the broking firms in the first batch of the implementation scheme. Its Broker Supplied System and Multi Work Station System both functioned smoothly, though not without minor hiccups. The willingness to place the business on a global footing manifested itself in steps to construct an in-house website and implement Internet trading by the 4th quarter of 2001.

In order to increase exposure to the public, measures were taken to branch out in Mongkok in March 2001. Additional initiatives along these lines are expected as soon as the Mongkok Branch moves towards profitability.

(g) Insurance Agency

Profitability improved further in 2000, with accumulated losses of previous years completely eliminated. A loan from the holding company had also been repaid. There is reason to believe that the positive trend will be sustained in 2001.

Risk Management and Control

In the face of ongoing financial deregulation and accelerating globalization, the Group is sensitive to the need to identify and effectively manage the many complex risks associated with its operations. Senior management pays close attention to the control of credit risk, market risk, interest risk, liquidity risk, operational risk and system risk. There is strong awareness of the fact that proper management of these risks is crucial to the Group's stability and profitability. These twin objectives are reinforced by a strategy geared towards maintaining a solid customer base and a diversified portfolio of products.

Under the guidance of the Audit and Compliance Committee, the internal audit team reviews the Group's internal control mechanisms throughout the fiscal year, ensuring compliance with internal accounting and procedural requirement and thus preventing irregularities and promptly rectifying problems.

To fulfil the Group's responsibility as a financial institution serving the public, senior management recognizes the importance of fostering a corporate culture that places a strong emphasis on compliance with financial regulatory laws and social norms. This is a key dimension of the strategy of seeking the highest possible standards of Corporate Governance.

Business and Operations Review (continued)

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Human Resources

As a result of the Group's efforts to reshape itself as a new economy enterprise, revitalize its sales operations and exploit new business opportunities, the number of employees has increased by more than 10%. The Group continues to place strong emphasis on the quality of its staff and is engaged in an ongoing quest for ways to boost labour productivity, instil result-oriented values and facilitate adaptation to change.

During the year, a wide range of training courses was offered to employees in order to improve their general level of knowledge, task-related skills, professional attitudes and management ability. To complement these organization-wide programmes, subsidies were provided to employees interested in pursuing relevant studies in an independent fashion. The objective remains to provide a platform for a career-long accumulation of information necessary to optimize individual and group performance.

Prospects

It would be unrealistic to expect the Group to revisit in 2001 the peaks scaled last year. The economic environment, both external and domestic, is less favourable. By the same token, competitive pressures are intensifying in the wake of financial deregulation. Last but not least, the Group is migrating decisively into the Internet age at a not inconsiderable cost, at least from a short-term perspective. Nevertheless, results should be satisfactory given the prudence characterizing the management style and the ability to adapt in a strategic - indeed, at times contrarian - fashion to challenges in the external and domestic

environment. Steady progress is likely to be seen on all business fronts and in some areas, as the financial markets begin to anticipate a broad-based economic recovery towards year-end and beyond, it may exceed expectations.

Report of the Directors

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The directors submit their report together with the audited accounts for the year ended 31st December 2000.

Principal activities

The principal activity of the company is investment holding. The activities of its principal subsidiaries, which comprise banking, securities and futures broking, are set out in note 12 to the accounts.

Results and appropriations

The results for the year are set out in the consolidated profit and loss account on page 20.

The directors have declared the payment of an interim dividend of HK\$3.00 per ordinary share, totalling HK\$36,299,000, which was paid on 27th July 2000.

Reserves

Movements in the reserves of the group and the company during the year are set out in note 19 to the accounts.

Donations

Charitable and other donations made by the group during the year amounted to HK\$160,000.

Fixed assets

Details of the movements in fixed assets of the group are set out in note 10 to the accounts.

Share capital

Details of the movements in share capital of the company are set out in note 18 to the accounts.

Directors

The directors who held office during the year and up to the date of this report were:

AU Chong Kit, Stanley (Chairman)

AU Wing Ngok

CROCKETT David

LAU Kai Hing

LEUNG Chi Ping, Michael MBE

MAR Selwyn

MUSHKAT Miron

WEN Carson

WONG Yin Hing, Patrick (resigned on 18th May 2000)

Pedro Afonso Correia Branco (resigned on 16th November 2000)

YEUNG Jar Wing, Louis (resigned on 31st December 2000)

LING Chiu Shing (resigned on 1st January 2001)

All directors retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors' interests in contracts

No contracts of significance in relation to the group's business to which the company or its subsidiaries was a party and in which a director of the company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' interest in equity or debt securities

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

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the company were entered into or existed during the year.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Stanley Au

Chairman

Hong Kong, 25th May 2001

Report of the Auditors

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**TO THE SHAREHOLDERS OF
DELTA ASIA GROUP (HOLDINGS) LIMITED**
(incorporated in Hong Kong with limited liability)

We have audited the accounts set out on pages 20 to 55 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Hong Kong Companies Ordinance requires the directors to prepare 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.

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 the group, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the company and the group as at 31st December 2000 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25th May 2001

Consolidated Profit and Loss Account

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FOR THE YEAR ENDED 31ST DECEMBER 2000

	Note	2000 HK\$'000	1999 HK\$'000
Turnover	2	344,263	284,880
Other revenues	2	103,074	34,067
		447,337	318,947
Interest on customers' deposits of banking operations		(162,730)	(147,883)
Staff costs		(71,858)	(64,298)
Provision for doubtful loans and advances	3	(27,181)	(17,416)
Commission and settlement costs		(36,661)	(16,629)
Operating leases rental for land and buildings		(12,259)	(14,676)
Office administration		(10,667)	(10,661)
Communication		(6,494)	(6,082)
Deficit on revaluation of leasehold land and buildings		(5,959)	–
Other operating expenses		(21,683)	(21,365)
Operating profit	4	91,845	19,937
Finance costs	5	(5,862)	(4,019)
Profit before taxation		85,983	15,918
Taxation	6(a)	(3,007)	(1,067)
Profit after taxation		82,976	14,851
Minority interests		(303)	(141)
Profit attributable to the shareholders	7, 19(f)	82,673	14,710

Consolidated Balance Sheet

AS AT 31ST DECEMBER 2000

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Consolidated Balance Sheet

	Note	2000 HK\$'000	1999 HK\$'000
ASSETS			
Non current assets			
Intangible assets	9	156	232
Fixed assets	10	102,358	73,672
Property under development	11	65,901	60,658
Investment in an associated company	13	2,666	2,284
Loans and advances	14	445,520	625,741
		616,601	762,587
Current assets			
Bullion		5,573	35,028
Loans and advances	14	871,149	782,077
Debtors, prepayments and other assets		140,008	258,099
Non trading securities	15	44,091	104,450
Trading securities	16	58,153	187
Cheques purchased	17	20,750	4,502
Placements with banks maturing over three months		250,000	37,015
Treasury bills		46,602	131,068
Cash and bank balances		1,450,637	1,115,255
		2,886,963	2,467,681
Total assets		3,503,564	3,230,268
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	120,996	120,996
Reserves	19	195,488	151,441
Shareholders' funds		316,484	272,437
Minority interests		8,866	7,730
Non-current liabilities			
Deferred taxation	6(c)	668	508
Current liabilities			
Loans and balances due to banks and other financial institutions	20	254,737	134,813
Customers' deposits		2,811,424	2,738,384
Amount due to a director	21	1,019	1,019
Creditors, accrued charges and other liabilities		99,321	66,118
Taxation	6(b)	11,045	9,259
		3,177,546	2,949,593
Total equity and liabilities		3,503,564	3,230,268

AU Chong Kit, Stanley
Chairman

MUSHKAT Miron
Director

Balance Sheet

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AS AT 31ST DECEMBER 2000

	Note	2000 HK\$'000	1999 HK\$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	12	165,356	145,609
Current assets			
Other receivable		1,538	395
Cash and bank balances		60	376
		1,598	771
Total assets		166,954	146,380
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	120,996	120,996
Retained earnings	19	44,412	24,001
		165,408	144,997
Current liabilities			
Amount due to a director	21	1,019	1,019
Creditors, accrued charges and other liabilities		527	364
		1,546	1,383
Total equity and liabilities		166,954	146,380

AU Chong Kit, Stanley
Chairman

MUSHKAT Miron
Director

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31ST DECEMBER 2000

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	Note	2000 HK\$'000	1999 HK\$'000
Net cash inflow/(outflow) from operating activities	22(a)	136,108	(2,106)
Returns on investments and servicing of finance			
Interest income from margin client accounts		7,585	4,196
Interest income from bank deposits		5,739	3,768
Interest paid		(5,862)	(3,397)
Dividends from unlisted equity securities		454	396
Dividends paid		(36,299)	-
Net cash (outflow)/inflow from returns on investments and servicing of finance		(28,383)	4,963
Taxation			
Hong Kong profits tax paid		(817)	(257)
Overseas tax paid		(244)	-
Taxation rebate for the year of assessment of 1997/98		-	109
Total taxation paid		(1,061)	(148)
Investing activities			
Purchase of fixed assets		(6,304)	(7,643)
Payment of land premiums and construction cost		(5,243)	(6,404)
Investment in an associated company		(382)	(2,284)
Purchase of non trading securities		(36,572)	-
Proceeds from disposal of listed shares		54,887	-
Proceeds from disposal of listed non trading securities		-	37,733
Proceeds from disposal of fixed assets		-	53
Net cash inflow from investing activities		6,386	21,455
Net cash inflow before financing		113,050	24,164
Financing	22(b)		
Issue of ordinary shares		-	30,000
Net cash inflow from financing		-	30,000
Increase in cash and cash equivalents		113,050	54,164
Cash and cash equivalents at 1st January		1,082,850	1,028,686
Cash and cash equivalents at 31st December		1,195,900	1,082,850
Analysis of balances of cash and cash equivalents:			
Cash and bank balances		1,450,637	1,115,255
Certificate of deposits (maturing within three months)		-	19,884
Treasury bills		-	82,524
Bank loans and overdrafts (repayable within three months)		(254,737)	(134,813)
		1,195,900	1,082,850

Consolidated Statement of Recognised Gains and Losses

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FOR THE YEAR ENDED 31ST DECEMBER 2000

	Note	2000 HK\$'000	1999 HK\$'000
Gains and losses recognised directly in equity			
Revaluation deficit on investment properties	19	(2,501)	(4,400)
Revaluation surplus/(deficit) on leasehold land and buildings	19	19,522	(1,647)
Revaluation surplus on non trading securities	19	-	1,692
Net gains/(losses) not recognised in the consolidated profit and loss account		17,021	(4,355)
Profit for the year		82,676	14,710
Less: Realisation of investment revaluation reserve upon disposal of non trading securities to the consolidated profit and loss account	19	(19,348)	-
Total recognised gains and losses for the year		80,349	10,355

Notes to the Accounts

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1 Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain leasehold land and buildings, investment properties and investment in securities, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

(b) Consolidation

The consolidated accounts include the accounts of the company and its subsidiaries made up to 31st December. All significant intercompany transactions and balances within the group are eliminated on consolidation.

A subsidiary is a company in which Delta Asia Group (Holdings) Limited, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

In the company's balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value. The results of the subsidiaries are accounted for by the company on the basis of dividends received and receivable.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(c) Associated company

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

In the company's balance sheet the investment in the associated company is stated at cost less provision, if necessary, for any permanent diminution in value. The results of the associated company are accounted for by the company on the basis of dividends received and receivable.

(d) Goodwill

Goodwill, which represents the excess of purchase consideration over the fair values ascribed to the separable net assets of subsidiaries and the associated company acquired, is recognised as an asset and amortised on a straight line basis over its estimated useful economic life of ten years.

(e) Revenue recognition

The principal activity of the company is investment holding. The activities of its principal subsidiaries, which comprise banking, securities and futures broking are set out on note 12 to the accounts.

Interest income from banking operations is recognised in the consolidated profit and loss account on an accruals basis. Interest income is suspended when loans become doubtful of collection, such as overdue by more than 90 days, or, when borrower or securities issuer defaults, if earlier than 90 days. Such income is excluded from interest income until received. The suspended interest income is credited to a suspense account, which is grouped under "Creditors, accrued charges and other liabilities" in the consolidated balance sheet.

1 Principal accounting policies (continued)

(e) Revenue recognition (continued)

Fee and commission income earned from trade finance and commercial banking activities are recognised up front when the services are rendered.

Commission income arising from the broking of securities, forward foreign exchange contracts, forward commodities contracts, equity index futures and equity options is recognised on trade dates.

Income from foreign exchange operations is recognised on trade dates.

Dividend income and insurance brokerage commission are recognised when the right to receive payment is established.

Interest income from non-banking operations is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Rental income is recognised in the period in which they are earned.

Other income is recognised on an accruals basis.

(f) Provision for doubtful loans and advances

A specific provision for loan impairment is established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful.

A general provision for loan impairment is established to cover losses that are judged to be present in the loan portfolio at the balance sheet date, but which have not been specifically identified as such. This provision is based on an analysis of internal credit gradings allocated to borrowers, refined to reflect the economic climate in the markets in which the group operates.

When a loan is uncollectable, it is written off against the related provision. Subsequent recoveries are credited to the bad and doubtful debt expense in the consolidated profit and loss account when received.

(g) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies and the accounts of subsidiaries are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the consolidated profit and loss account.

(h) Derivative financial instruments

Derivative financial instruments including forward foreign exchange contracts, forward commodities contracts, equity index futures and equity options (both written and purchased) are marked to market. All derivatives are carried at their fair values in the consolidated balance sheet. Fair values are obtained from quoted market prices.

1 Principal accounting policies (continued)

(h) Derivative financial instruments (continued)

Gains and losses on derivative financial instruments used in dealing activities are included in net dealing income as they arise. Gains and losses on other derivative financial instruments used for hedging purposes are deferred and recognised as income or expense on the same basis as the corresponding expense or income arising on the hedged position.

The group's criteria for a derivative financial instrument to be classified as a hedge include:

- (i) the transaction must be reasonably expected to match or eliminate a significant portion of the risk inherent in the position being hedged, and
- (ii) there is adequate documentary evidence of the intent to hedge at the outset of the transaction.

(i) Property under development

Property under development is stated at the lower of cost and net realisable value. Cost includes the cost of land, land premiums, development expenditure and other directly attributable costs relating to the acquisition and development of property. No depreciation is provided on property under development until the development is completed.

(j) Fixed assets

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases in valuation are credited to the consolidated profit and loss account up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining period of the leases.

Upon the disposal of an investment property, the relevant portion of the properties revaluation reserve realised in respect of previous valuations is transferred to retained earnings and is shown as a movement in reserves.

1 Principal accounting policies (continued)

(j) Fixed assets (continued)

(ii) Leasehold land and buildings

Leasehold land and building are stated at valuation, being the fair value at the date of revaluation less any subsequent accumulated depreciation or any further discount on such revalued surplus, which the directors may choose to adopt from time to time on the grounds of prudence.

It is the company's policy to review regularly the fair value of leasehold land and building such that the carrying amounts do not differ materially from that which would be determined using fair value at balance sheet date. If it is considered appropriate, independent professional valuations are obtained. The interval of professional revaluation in any case should not be more than three years. Increases in valuations are credited to the group's properties revaluation reserve. Decreases in valuations are first offset against increases on earlier valuations in respect of the same property and are thereafter debited to the consolidated profit and loss account. Any subsequent increases are credited to the consolidated profit and loss account up to the amount previously debited.

(iii) Depreciation

The carrying value of the leasehold land and buildings is depreciated over fifty years or the lease period by equal annual instalments, whichever is shorter. On revaluation, the revalued amount is depreciated on a straight line basis over the remaining portion of the useful life.

Other tangible fixed assets are stated at cost less depreciation calculated on a straight line basis to write off their cost over their estimated useful lives to the group. The principal annual rates used for this purpose are:

Leasehold improvements	10% or over the period of the lease whichever is shorter
Furniture and fixtures	10%-15%
Computer equipment	20%
Motor vehicles	20%

(iv) Impairment of fixed assets

The carrying amounts of fixed assets are reviewed regularly to assess whether their estimated recoverable amounts have declined below their carrying amounts. When such a decline has occurred, the carrying value is reduced accordingly. Recoverable amount is the amount, which the group expects to recover from the future use of the asset, including its residual value on disposal.

The amount of any reduction is charged to the consolidated profit and loss account, unless it reverses a previous revaluation surplus, 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.

1 Principal accounting policies (continued)

(j) Fixed assets (continued)

(v) Gain or loss on disposal of fixed assets

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(vi) Cost of restoring and improving fixed assets

Major costs incurred in restoring fixed assets to their normal working condition are charged to the consolidated profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the group.

(k) Bullion

Bullion is stated in the consolidated balance sheet at market value.

Bullion forward contracts are valued at market rates ruling at the balance sheet date. The difference between the values at those rates and the contract prices is recognised in the consolidated profit and loss account.

(l) Investment in securities

(i) Held-to-maturity securities

Held-to-maturity securities are dated debt securities which the group has the expressed intention and ability to hold to maturity. These securities are stated at cost adjusted for the amortisation of premiums or discounts arising on acquisition over the periods to maturity, less provision for diminution in their value. Provisions are made for the amount of the carrying value which the group does not expect to recover and are recognised as expense in the consolidated profit and loss account as they arise.

The amortisation of premiums and discounts arising on acquisition of dated debt securities is included as part of interest income. Profits or losses on realisation of held-to-maturity securities are accounted for in the consolidated profit and loss account as they arise.

(ii) Non-trading securities

Non-trading securities include debt securities held for liquidity purposes and other debt and equity securities which are not held for trading purposes. Non-trading securities are stated at fair value on the balance sheet. Fair value represents the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Changes in fair value of non-trading securities are recognised in the investment revaluation reserve until the security is sold or determined to be impaired, at which time the cumulative gain or loss is included in the consolidated profit and loss account.

1 Principal accounting policies (continued)

(l) Investment in securities (continued)

(iii) Trading securities

Trading securities are listed equity securities which were acquired for the purpose of generating a profit from short-term fluctuation in price and are stated at market value. Changes in market value of trading securities are recognised in the consolidated profit and loss account as they arise.

(m) Finance and operating leases

(i) Finance leases/hire purchase contracts

Leases that substantially transfer to the group all the rewards and risk of ownership of assets, other than legal title, are accounted for as finance leases. Where the group is a lessor under finance leases/hire purchase contracts, the amounts due under the leases, after deduction of unearned charges, are included in "Advance to customers and other accounts".

Finance income implicit in rentals receivable is credited to the consolidated profit and loss account over the lease period so as to produce an approximately constant periodic rate of return on the net cash investment for each accounting period.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the consolidated profit and loss account on a straight line basis over the period of the lease.

(n) Deferred taxation

Deferred taxation is accounted for at the current tax rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent a liability or asset is expected to be payable or recoverable in the foreseeable future.

(o) Retirement benefits

Defined contribution schemes are provided for employees in the company and its subsidiaries. Financing generally comes from employer and employee contributions. Certain subsidiaries of the group are also registered to the Mandatory Provident Fund Schemes Authority in Hong Kong as participating employers.

The assets of the defined contribution scheme of a subsidiary in Macau are deposited with the group and included in the consolidated balance sheet. The defined contribution scheme of other group companies is independent of the group and therefore their assets are not included in the consolidated balance sheet. Pension costs are charged to the consolidated profit and loss account in the year in which they are incurred.

(p) Borrowing costs

All borrowing costs are charged to the consolidated profit and loss account in the year in which they are incurred.

(q) Comparatives

Where necessary, comparatives figures have been adjusted to conform with changes in presentation in the current year.

2 Revenue and turnover

The group is principally engaged in banking, securities and futures broking services. Revenues recognised during the year are as follows:

	<i>The group</i>	
	2000 HK\$'000	1999 HK\$'000
Turnover		
Interest income from banking operations (Note (a))	237,113	212,654
Fees and commissions	107,150	72,226
	344,263	284,880
Other revenues		
Income from foreign exchange operations	11,356	11,944
Net dealing income from derivative financial instruments	15,278	9,586
Gain on disposal of non trading securities		
- listed (Note 15)	54,887	-
- unlisted	267	1,073
Dividends from unlisted equity securities	454	396
Interest income from margin client accounts	7,585	4,196
Interest income from bank deposits	5,739	3,768
Rental income from investment properties	463	1,805
Other income	7,045	1,299
	103,074	34,067
Total revenues	447,337	318,947

(a) Included in the balance is interest income from investment in securities amounting to HK\$11,000,000 (1999: HK\$25,105,000).

3 Provision for doubtful loans and advances

	<i>The group</i>	
	2000 HK\$'000	1999 HK\$'000
Provision for doubtful loans and advances		
- Specific provision	30,830	25,146
- General provision written back	(3,596)	(2,830)
Recoveries on loans previously written off	(441)	(4,900)
Bad debt written off	388	-
	27,181	17,416

Notes to the Accounts *(continued)*

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Notes to the Accounts

4 Operating profit

Operating profit is stated after crediting and charging the following:

	<i>The group</i>	
	2000 HK\$'000	1999 HK\$'000
<u>Crediting</u>		
Gain on disposal of fixed assets	-	14
<u>Charging</u>		
Auditors' remuneration	1,924	1,673
Depreciation of fixed assets	5,962	6,608
Settlement of a legal case	-	1,300
Amortisation of goodwill	76	76
Loss on disposal of fixed assets	153	-

5 Finance costs

	<i>The group</i>	
	2000 HK\$'000	1999 HK\$'000
Interest on bank loans and overdrafts wholly repayable within 5 years	2,304	1,682
Interest on client accounts	3,558	1,690
Interest on other loans wholly repayable within five years	-	647
	5,862	4,019

6 Taxation

(a) The amount of taxation in the consolidated profit and loss account represents:

	<i>The group</i>	
	2000 HK\$'000	1999 HK\$'000
Hong Kong profits tax		
- current	3,253	2,233
- overprovision in previous years	(406)	(857)
- 10% taxation rebate for the year of assessment 1997/98	-	(109)
- deferred taxation (Note (c))	160	(200)
	3,007	1,067

6 Taxation (continued)

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on estimated assessable profit for the year. No provision for Macau Complementary tax has been made in the accounts as the company's subsidiaries in Macau have sufficient taxation loss brought forward to offset current year's liability (1999: Nil).

- (b) The amount of taxation in the consolidated balance sheet represents:

	<i>The group</i>	
	2000	1999
	HK\$'000	HK\$'000
Hong Kong	10,200	8,171
Overseas	845	1,088
	11,045	9,259

- (c) The movements of deferred taxation in the consolidated balance sheet are as follows:

	<i>The group</i>	
	2000	1999
	HK\$'000	HK\$'000
At 1st January	508	708
Charge/(credit) to consolidated profit and loss account	160	(200)
At 31st December	668	508

The provision for deferred taxation liability is in respect of temporary timing differences arising from accelerated depreciation allowances on fixed assets of the company's subsidiaries in Hong Kong. There are no other material unprovided deferred tax liabilities.

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. A subsidiary in Macau has a taxation loss of approximately HK\$27 million (1999: HK\$37 million) as at 31st December 2000 to carry forward against future taxable income. The benefit of the taxation loss has not been recognised in these accounts.

The revaluation of the group's investment properties, leasehold land and buildings and non trading investments does not constitute a timing difference for deferred taxation purpose.

Notes to the Accounts *(continued)*

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7 Profit attributable to the shareholders

The profit attributable to the shareholders is dealt with in the accounts of the company to the extent of HK\$56,710,000 (1999: HK\$14,277,000).

8 Directors' remuneration

The aggregate amounts of the emoluments payable to directors of the company during the year are as follows:

	<i>The group</i>	
	2000	1999
	HK\$'000	HK\$'000
As directors	971	1,085
For management	8,691	9,855
	9,662	10,940

9 Intangible asset

	<i>The group</i>	
	2000	1999
	HK\$'000	HK\$'000
Goodwill arising on consolidation		
Cost		
At 1st January and 31st December	767	767
Accumulated amortisation		
At 1st January	535	459
Amortisation for the year	76	76
At 31st December	611	535
Net book value at 31st December	156	232

10 Fixed assets

	<i>The group</i>			
	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improvements, furniture and fixtures, computer equipment and motor vehicles HK\$'000	Total HK\$'000
Cost/valuation				
At cost	–	20,175	70,786	90,961
At valuation	20,501	17,270	–	37,771
At 1st January	20,501	37,445	70,786	128,732
Transfer (Note (c))	–	16,600	–	16,600
Additions	–	327	5,977	6,304
Disposals	–	–	(2,776)	(2,776)
Revaluation	(2,501)	10,563	–	8,062
At 31st December	18,000	64,935	73,987	156,922
Carried forward as follows:				
At cost	–	–	73,987	73,987
At professional valuation				
- 1998 (Note (a))	–	7,000	–	7,000
- 2000 (Note (b))	18,000	57,935	–	75,935
	18,000	64,935	73,987	156,922
Accumulated depreciation				
At 1st January	–	3,194	51,866	55,060
Charge for the year	–	921	5,041	5,962
Disposals	–	–	(2,623)	(2,623)
Revaluation	–	(3,835)	–	(3,835)
At 31st December	–	280	54,284	54,564
Net book value				
At 31st December 2000	18,000	64,655	19,703	102,358
At 31st December 1999	20,501	34,251	18,920	73,672

Notes to the Accounts (continued)

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10 Fixed assets (continued)

The net book value of the investment properties, leasehold land and buildings comprises:

	<i>The group</i>					
	Investment properties		Leasehold land and buildings			
	Overseas	Total	Hong Kong		Overseas	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>At 31st December 2000</u>						
Period unexpired						
Medium term lease						
At professional valuation	–	–	6,720	680	7,400	7,400
Long term leases						
At cost	–	–	–	–	–	–
At professional valuation	17,501	17,501	–	57,215	57,215	74,716
	17,501	17,501	–	57,215	57,215	74,716
	17,501	17,501	6,720	57,895	64,615	82,116
<u>At 31st December 1999</u>						
Period unexpired						
Medium term lease						
At professional valuation	–	–	6,860	710	7,570	7,570
Long term leases						
At cost	–	–	–	16,611	16,611	16,611
At professional valuation	20,501	20,501	–	10,070	10,070	30,571
	20,501	20,501	–	26,681	26,681	47,182
	20,501	20,501	6,860	27,391	34,251	54,752

All professional valuations of land and buildings were carried out by valuers independent of the group.

10 Fixed assets (continued)

- (a) The valuation carried out in 1998 was performed by Chesterton Petty Limited, an independent professional qualified valuer, on the basis of open market value as at 31st December 1998.
- (b) The valuation carried out in December 2000 was performed by Chesterton Petty Limited, an independent professional qualified valuer, on the basis of open market value as at 31st December 2000. A net increase in revaluation surplus totalling HK\$11,062,000 (1999: revaluation deficit of HK\$6,047,000) between the open market value and the carrying amount of the group's properties, which comprises a deficit on revaluation of HK\$2,501,000 (1999: HK\$4,400,000) for the group's investment properties, a revaluation surplus of HK\$19,522,000 (1999: revaluation deficit of HK\$1,647,000) for the group's leasehold land and buildings, has been transferred to the properties revaluation reserves and a deficit on revaluation of HK\$5,959,000 (1999: Nil) has been charged to the consolidated profit and loss account respectively (Note 19).
- (c) In 1999, the cost of the property was booked in the consolidated balance sheet as "Debtors, prepayment and other assets" because the transfer of the legal title of the property was not completed. In 2000, the property has been transferred to fixed assets as the directors are of the opinion that the banking subsidiary in Macau ("the subsidiary") has been granted the rights to rent, mortgage, and to complete a sales and purchase agreement via a power of attorney dated 24th March 2000.

According to an external and independent solicitor, the power of attorney is only revocable with the consent of the subsidiary or if the grantor of the power of attorney has a fair motive for revocation. The subsidiary is in the process to secure the title deeds of the property. Based on the valuation carried out in December 2000 by A Cheong Land Investment Company Limited, an independent valuer, the fair market value was approximately HK\$26.2 million at 31st December 2000 (1999: HK\$28.5 million).

11 Property under development

	<i>The group</i>	
	2000 HK\$'000	1999 HK\$'000
Cost		
At 1st January (Note (a))	60,658	54,254
Payment of land premiums (Note (b))	3,199	6,404
Other direct costs (Note (c))	2,044	–
At 31st December	65,901	60,658

- (a) This represents the cost of a site of approximately HK\$28,818,000 (1999: HK\$28,818,000) and the land premium instalments of approximately HK\$31,839,806 (1999: HK\$25,436,000) made in previous years. The site is situated in Macau which is under construction into a commercial building.
- (b) This represents the land premium instalments paid to the Macau S.A.R. government during the year.
- (c) The construction to develop the site into a commercial building was commenced in September 2000. This represents the construction cost paid during the year.

Notes to the Accounts *(continued)*

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12 Investments in subsidiaries

	<i>The company</i>	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	142,780	142,280
Provision for diminution in value	(485)	(485)
	142,295	141,795
Amounts due from subsidiaries	33,663	14,423
Amounts due to subsidiaries	(10,602)	(10,609)
	165,356	145,609

At 31st December 2000, the company held shares in the following subsidiaries:

Name of subsidiary	Place of incorporation	Particulars of issued share capital	Percentage holding of ordinary shares		Principal activities
			2000 %	1999 %	
Shares held directly:					
Banco Delta Asia S.A.R.L.	Macau	1,825,000 ordinary shares of PTC100 each	96.05	96.05	Banking
Delta Asia Securities Limited	Hong Kong	1,200,000 ordinary shares of HK\$10 each	100	100	Securities broking
Delta Asia Financial Futures Limited	Hong Kong	5,500,000 ordinary shares of HK\$1 each	100	100	Futures broking
Delta Asia Nominee Services Limited*	Hong Kong	2 ordinary shares of HK\$10 each	100	100	Nominees services
Delta Asia Investimentos Imboiliarios Limitada.* (Delta Asia Properties Limited)	Macau	1,000 ordinary shares of PTC10 each	100	100	Property investment
Delta Asia Insurance Agency Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Insurance agency
Delta Asia Research Limited	Hong Kong	50,000 ordinary shares of HK\$10 each	100	100	Research

12 Investments in subsidiaries (continued)

Name of subsidiary	Place of incorporation	Particulars of issued share capital	Percentage holding of ordinary shares		Principal activities
			2000 %	1999 %	
Delta Asia Secretarial Services Limited	Hong Kong	2 ordinary shares of HK\$10 each	100	100	Secretarial services
Delta Asia (Nominees) Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Nominees services
Delta Asia Communications Limited	Hong Kong	1,000 ordinary shares of HK\$10 each	100	100	Inactive
Delta Asia Finance Limited	Hong Kong	1,000,000 ordinary shares of HK\$10 each	100	100	Inactive
Delta Asia Estates Limited	Hong Kong	52,601 ordinary shares of HK\$10 each	100	100	Inactive
Delta Asia Unit Investment Limited*	Hong Kong	1,000 ordinary shares of HK\$10 each	100	100	Inactive
Delta Asia Asset Management Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Inactive
Agencia de Viagens Hang Sang Limitada*	Macau	500 ordinary shares of PTC1,000 each	100	100	Inactive
Shares held indirectly:					
Delta Asia Credit Limited	Hong Kong	4,000,000 ordinary shares of HK\$10 each	96.05	96.05	Deposit taking and general financial services
Companhia de Investimentos Manifica, Limitada*	Macau	100,000 ordinary shares of PTC1 each	100	100	Dormant

* Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 3.33% (1999:7.54%) of the group's net assets.

Notes to the Accounts *(continued)*

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13 Investment in an associated company

	<i>The group</i>	
	2000	1999
	HK\$'000	HK\$'000
Unlisted shares, at cost	2,666	2,284

At 31st December 2000, the group directly held shares in the following associate:

Name of associate	Place of incorporation	Particulars of issued shares held	Percentage of holding of ordinary shares		Principal activity
			2000	1999	
			%	%	
Sun Delta Securities Limited	Hong Kong	343,000 ordinary shares of US\$1 each (1999: 294,000 ordinary shares of US\$1 each)	49	49	Securities broking

Its results have not been accounted for in the group's consolidated accounts as the directors consider that the share of profit and loss of the associated company is immaterial to the consolidated profit and loss account and the consolidated balance sheet. Should the associated company be accounted for by equity method, the group's share of profits and the carrying value of the associated company in the consolidated accounts would have been HK\$132,000 (1999: loss of HK\$19,000) and HK\$2,779,000 (1999: HK\$2,265,000) respectively.

14 Loans and advances

	<i>The group</i>	
	2000 HK\$'000	1999 HK\$'000
Overdrafts	205,389	209,197
Term loans	345,419	292,672
Mortgages	427,110	476,928
Commercial loans	300,739	414,575
Trade bills	37,591	39,263
Hire purchase loans	53,738	40,746
Securities finance	57,090	68,706
Others	10,522	1,647
Gross loans and advances	1,437,598	1,543,734
Provision for doubtful loans and advances		
- Specific provision	(105,976)	(117,317)
- General provision	(14,953)	(18,599)
	1,316,669	1,407,818
Less: amounts due within one year included under current assets	(871,149)	(782,077)
	445,520	625,741

Movements in provisions for doubtful loans and advances are as follows:

	<i>The group</i>		
	Specific Provision HK\$'000	General Provision HK\$'000	Total HK\$'000
Balance at 1st January 1999	92,553	21,429	113,982
Charge to/(written back from)			
consolidated profit and loss account	25,146	(2,830)	22,316
Bad debts written off	(382)	-	(382)
Balance at 31st December 1999	117,317	18,599	135,916
Charge to/(written back from)			
consolidated profit and loss account	30,880	(3,646)	27,234
Bad debts written off	(42,221)	-	(42,221)
Balance at 31st December 2000	105,976	14,953	120,929

Notes to the Accounts *(continued)*

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14 Loans and advances (continued)

Non-performing loans are those loans where full repayment of principal or interest is considered unlikely. Non-performing loans may include loans that are not yet more than three months overdue but are considered doubtful. Loans are classified as non-performing as soon as it becomes apparent that full recovery of the loan is unlikely. Except in certain limited circumstances, all loans on which principal or interest is more than three months overdue are classified as non-performing.

Non-performing loans on which interest has been placed in suspense or on which interest accruals have ceased are as follows:

	<i>The group</i>	
	2000	1999
	HK\$'000	HK\$'000
Gross non-performing loans on which interest		
- has been placed in suspense	289,055	260,446
- accruals have ceased to be made	30,267	53,356
Gross non-performing loans	319,322	313,802
Suspended interest	(33,727)	(22,923)
Gross non-performing loans, net of suspended interest	285,595	290,879
Collateral	(127,116)	(90,913)
Gross non-performing loans, net of suspended interest and collateral	158,479	199,966
Specific provisions	(105,976)	(117,317)
Net non-performing loans, net of suspended interest and collateral	52,503	82,649
Specific provisions as a percentage of gross non-performing loans, net of suspended interest and collateral	66.9%	58.7%

	<i>The group</i>	
	2000	1999
Gross non-performing loans, net of suspended interest, as a percentage of gross loans and advances	19.87%	18.8%

Included in the non-performing loans are counterparties which have their ultimate holding companies incorporated in the People's Republic of China ("PRC loans"). The gross non-performing loans, net of suspended interest, arising from these PRC loans amounted to approximately HK\$180.7 million (1999: HK\$155.9 million).

14 Loans and advances (continued)

	<i>The group</i>	
	2000	1999
Gross non-performing PRC loans as a percentage of gross non-performing loans (both net of suspended interest)	63.3%	53.6%
Gross non-performing PRC loans, net of suspended interest, as a percentage of gross loans and advances	12.6%	10.1%

15 Non trading securities

	<i>The group</i>	
	2000 HK\$'000	1999 HK\$'000
Equity securities, at fair value		
Listed shares in Hong Kong	152	–
Unlisted shares	975	975
Memberships of the Stock Exchange of Hong Kong Limited (Note (a))	–	15,000
Membership of the Hong Kong Futures Exchange Limited (Note (a))	–	4,500
	1,127	20,475
Debt securities, at fair value		
Listed bonds outside Hong Kong (Note (b))	24,164	–
Unlisted bonds (Note (b))	–	42,662
Unlisted certificate of deposits	18,800	41,313
	44,091	104,450

- (a) Subsidiaries' memberships in The Stock Exchange of Hong Kong Limited ("SEHK") and Hong Kong Futures Exchange Limited ("HKFE") were previously carried at fair value with revaluation difference recognised in the investment revaluation reserve. As a result of the merger of the SEHK, HKFE and their respective clearing houses in March 2000 and the floatation of the Hong Kong Exchanges and Clearing Limited ("HKEx") in June 2000, the subsidiaries' memberships in SEHK and HKFE were cancelled. HKEx, in return, had allotted four trading rights and 3,808,500 shares to the subsidiaries as consideration for the cancellation of memberships. During the year, the subsidiaries have disposed certain HKEx shares at net cash proceeds of HK\$54.9 million.

The net movement of investment revaluation reserve (Note 19) as a result of these transactions were dealt with in the consolidated profit and loss account and included in gain on disposal of HK\$54.9 million.

Notes to the Accounts (continued)

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15 Non trading securities (continued)

(b) The maturity profile of listed and unlisted bonds included above analysed by their residual periods to maturities is as follows:

	<i>The group</i>	
	2000	1999
	HK\$'000	HK\$'000
Within one year	–	42,662
Over five years	24,164	–
	24,164	42,662

16 Trading securities

	<i>The group</i>	
	2000	1999
	HK\$'000	HK\$'000
Equity securities, at fair value		
- Listed in Hong Kong	7,698	187
Debt securities, at fair value		
- Listed outside Hong Kong	26,318	–
- Unlisted	24,137	–
	58,153	187

17 Cheques purchased

These represent bank drafts, travellers' cheques and cheques purchased from customers and are in the process of collection from overseas banks.

18 Share capital

	<i>The company</i>	
	Authorised	
	Ordinary shares of HK\$10 each	
	No. of shares	HK\$'000
At 1st January 1999	6,500,000	65,000
Increase in authorised share capital	8,500,000	85,000
At 31st December 1999	15,000,000	150,000
At 31st December 2000	15,000,000	150,000
	Issued and fully paid	
	Ordinary shares of HK\$10 each	
	No. of shares	HK\$'000
At 1st January 1999	6,066,422	60,664
Issue of bonus shares	3,033,211	30,332
Issue of ordinary shares	3,000,000	30,000
At 31st December 1999	12,099,633	120,996
At 31st December 2000	12,099,633	120,996

Notes to the Accounts *(continued)*

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19 Reserves

	<i>The group</i>	
	2000 HK\$'000	1999 HK\$'000
(a) Legal reserve (Note (i))		
At 1st January	29,048	28,979
Transfer from retained earnings	515	69
At 31st December	29,563	29,048
(b) Properties revaluation reserve		
Investment properties		
At 1st January	13,675	18,075
Deficit on revaluation (Note 10(b))	(2,501)	(4,400)
	11,174	13,675
Leasehold land and buildings		
At 1st January	10,025	11,672
Surplus/(deficit) on revaluation (Note 10(b))	19,522	(1,647)
At 31st December	29,547	10,025
Total at 31st December	40,721	23,700
(c) Capital reserve (Note (ii))		
At 1st January and 31st December	61,520	61,520
(d) Exchange fluctuation reserve		
At 1st January and 31st December	399	399
(e) Investment revaluation reserve (Note (iii))		
At 1st January	19,492	17,800
Surplus on revaluation	–	1,692
Reserve realised upon disposal of non trading investments (Note 15)	(19,348)	–
At 31st December	144	19,492
(f) Retained earnings		
At 1st January	17,282	32,973
Profit attributable to the shareholders	82,673	14,710
Total available for appropriation	99,955	47,683
Transfer to legal reserve	(515)	(69)
Bonus issue of shares	–	(30,332)
Dividends (Note (iv))	(36,299)	–
At 31st December	63,141	17,282
Total reserves	195,488	151,441

19 Reserves (continued)

	<i>The company</i>	
	2000	1999
	HK\$'000	HK\$'000
Retained earnings		
At 1st January	24,001	40,056
Profit attributable to the shareholders (Note 7)	56,710	14,277
Bonus issue of shares (Note (iii))	–	(30,332)
Dividends (Note (iv))	(36,299)	–
At 31st December	44,412	24,001

- (i) The amount consists of legal reserve of a banking subsidiary in Macau, Banco Delta Asia S.A.R.L. (“BDA”) and a property investment subsidiary, Delta Asia Properties Limited (“DAP”). The movements in current year represented the transfer of retained earnings of HK\$515,000 from BDA.

The legal reserve of BDA is a non-distributable reserve set aside from profits each year in accordance with Regime Juridico do Sistema Financiero (Financial System Act) in Macau, which provides that an amount of not less than 20% of BDA’s profit after taxation shall be set aside each year until the reserve fund reaches 50% of BDA’s issued share capital, and thereafter not less than 10% of that BDA’s profit after taxation each year until the legal reserve is equal to that of BDA’s issued share capital.

In 2000, a HK\$515,000 was transferred to the legal reserve, based on BDA’s profit after taxation for the year ended 31st December 1999, after the financial statements had been approved by the shareholders in the Annual General Meeting. No transfer was made in 1999 as BDA had incurred a loss after taxation in respect of the financial statements for the year ended 31st December 1998.

The legal reserve of DAP was established in accordance with Macau legislation and was calculated from its current year’s profit after taxation. No transfer was made in 2000 as DAP has incurred a loss for the year ended 31st December 2000 (1999: HK\$69,000).

- (ii) The capital reserve is a non-distributable reserve arising from consolidation. BDA has issued ordinary shares by way of capitalisation of reserves and retained earnings in previous years.
- (iii) This represents the revaluation reserve of the exchange memberships held by the companies’ subsidiaries in The Stock Exchange of Hong Kong Limited and The Hong Kong Futures Exchange Limited.
- (iv) The dividends represented an interim dividend of HK\$3.00 (1999: Nil) per ordinary share paid on 27th July 2000.

Notes to the Accounts (continued)

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20 Loans and balances due to banks and other financial institutions

	<i>The group</i>	
	2000 HK\$'000	1999 HK\$'000
Wholly repayable within 5 years		
Due to banks and other financial institutions (unsecured)	245,913	85,760
Bank loans and overdrafts (secured) - Notes (a) and (b)	8,824	49,053
	254,737	134,813

- (a) At 31st December 2000, the bank loans and overdrafts amounting to HK\$3,000,000 (1999: HK\$42,134,000) are fully secured by marketable securities owned by margin clients and pledged to a subsidiary for margin financing purpose.
- (b) As 31st December 2000, the bank overdrafts amounting to HK\$5,824,000 (1999: HK\$6,919,000) is secured by a charge on a property of a subsidiary in Macau.

21 Amount due to a director

The amount due to a director is unsecured, interest free and repayable on demand.

22 Notes to consolidated cash flow statement

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

	2000 HK\$'000	1999 HK\$'000
Profit before taxation	85,983	15,918
Provision for doubtful loans and advances	27,181	22,316
Depreciation	5,962	6,608
Amortization of goodwill	76	76
Deficit on revaluation of leasehold land and buildings	5,959	–
Loss/(profit) on disposal of fixed assets	153	(14)
Gain on disposal of unlisted non trading securities	(267)	(1,073)
Dividends from unlisted equity securities	(454)	(396)
Interest income from margin client accounts	(7,585)	(4,196)
Interest income from bank deposits	(5,739)	(3,768)
Gain on disposal of listed non trading investments	(54,887)	–
Interest expenses	5,862	3,397
Decrease in certificates of deposit maturing over three months	–	39,055
Decrease in loans and advances	106,136	33,198
Decrease/(increase) in bullion	29,455	(21,863)
Decrease/(increase) in debtors, prepayments and other assets	118,091	(131,406)
(Increase)/decrease in trading securities	(57,966)	5
(Increase)/decrease in cheques purchased	(16,248)	2,494
Increase in placements with banks maturing over three months	(212,985)	(16,461)
Decrease/(increase) in treasury bills maturing over three months	1,942	(43,690)
Increase in customers' deposits	73,040	46,842
Increase in creditors, accrued charges and other liabilities	32,399	50,852
Net cash inflow/(outflow) from operating activities	136,108	(2,106)

(b) Analysis of changes in financing during the year

	Share capital HK\$'000	Bank loan HK\$'000
At 1st January 1999	60,664	–
Repayment of bank loan	–	–
Bonus issue of share capital (Note 22 (c))	30,332	–
New issue shares	30,000	–
At 31st December 1999 and 2000	120,996	–

Notes to the Accounts (continued)

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22 Notes to consolidated cash flows statement (continued)

(c) Major non-cash transaction

During the year a subsidiary of the group has written off certain loans and advances and respective specific provisions which amounted to HK\$12,513,000 (1999:Nil).

In 1999, the company issued bonus shares of 3,033,211 ordinary shares of HK\$10 each, amounting to HK\$30,332,000 to the existing shareholders of the company in the proportion of one for every two ordinary shares then held.

23 Loans to officers

Included in loans and advances are loans to officers of the group as follows:

- (a) Loans made by a deposit taking subsidiary in Hong Kong disclosed pursuant to section 161B(4C) of the Hong Kong Companies Ordinance are as follows:

	2000	1999
	HK\$'000	HK\$'000
Aggregate amount of all relevant loans outstanding in respect of principal and interest at 31st December	3,232	3,432
Maximum aggregate balance of all relevant loans obtained outstanding in respect of principal and interest during the year	3,432	3,620

- (b) Loan made by a property investment subsidiary in Macau disclosed pursuant to section 161B(4a) of the Hong Kong Companies Ordinance is as follows:

Name of the borrower	Au Chong Kit, Stanley
Position	Director
Terms of the loan	
- Interest rate	Prime rate
- Security	Nil
- Duration and repayment terms	Repayable on demand
Balance of relevant loan in respect of principal and interest	
- at 1st January 2000	HK\$6,553,000
- at 31st December 2000	HK\$7,075,000
Maximum balance outstanding during the year	HK\$7,075,000

24 Contingent liabilities and credit related commitments

- (a) The company has issued corporate guarantees to the extent of HK\$283,777,000 (1999: HK\$253,598,000) in respect of banking facilities granted to its subsidiaries.
- (b) The following table provides a detailed breakdown of the contractual or notional amounts and the fair values of the group's derivative financial instruments outstanding at the year end.

	<i>The group</i>		
	Contract/ notional amount HK\$'000	Fair values	
		Assets HK\$'000	Liabilities HK\$'000
Year ended 31st December 2000			
Forward foreign exchange contracts	1,104,054	21,390	(7,488)
Forward commodities contracts	4,177	–	(54)
Total derivative assets/(liabilities)		21,390	(7,542)
Year ended 31st December 1999			
Forward foreign exchange contracts	818,221	34,776	(2,451)
Forward commodities contracts	2,590	–	(270)
Total derivative assets/(liabilities)		34,776	(2,721)

The group maintains strict control limits on net open positions, i.e. the difference between purchase and sale contracts, by both currency and term. Unless otherwise indicated below, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the group (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall borrowing limits granted to individual counterparties. Collateral security is usually obtained for credit risk exposures on these instruments.

Off balance sheet derivative instruments at the year end comprise forward and undelivered spot transactions. A forward transaction represents an agreement between a buyer and a seller to deliver a fixed amount of foreign currency or bullion at a fixed price on a pre-determined future date. The life of a forward contract can be a few days or months. An undelivered spot transaction represents a commitment to purchase or sell a fixed amount of foreign currency or bullion at a fixed rate but no physical delivery takes place. On the settlement date, the difference between the contract rate and the market rate at that future settlement date will be settled on a cash basis.

24 Contingent liabilities and credit related commitments (continued)

As noted above, the notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the consolidated balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, are not representative of the group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market prices, interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The group hedges a portion of the commodities and foreign exchange risks it expects to assume as a result of meeting certain of its commitments. At 31st December 2000, commodities and foreign exchange derivatives with a notional principal amount of HK\$4.2 million (1999: HK\$2.6 million) and HK\$1,104.1 million (1999: HK\$818.2 million) respectively were designated as hedges of transactions expected to occur within one year. There were no deferred losses or gains arising from the hedge transactions on the consolidated balance sheet.

- (c) The following table indicates the contractual amounts of the group's off-balance sheet financial instruments that commit it to extend credit to customers.

	<i>The group</i>	
	2000	1999
	HK\$'000	HK\$'000
Direct credit substitutes	69,177	61,409
Trade related contingencies	73,968	125,865
Commitments to extend credit:		
- Original term to maturity of one year or less	534,041	519,897
	677,186	707,171

These instruments include acceptances, letters of credit, guarantees and commitment to extend credit. The contractual amount represents the amounts at risk should the contract be fully drawn upon and the client default. Since a significant portion of guarantees and commitments is expected to expire without being drawn upon, the total of the contract amounts is not representative of future liquidity requirements.

- (d) There is a dispute between a subsidiary of the group and its customer in relation to a fraudulent case amounting to approximately HK\$5.8 million. It is in the opinion of the directors and the legal counsels that the subsidiary stands a very good chance to defend its case. No provision has been made in the accounts.

25 Capital commitments

- (a) Pursuant to an agreement entered into between the group's banking subsidiary and Direcção dos Serviços de Solos Obras Públicas e Transportes ("DSSOPT"), the subsidiary acquired a vacant site and agreed to develop it into a commercial building within a period of three years commencing 1996.

According to a document issued by DSSOPT on 11th May 1996, the subsidiary is required to pay a land premium and interest totalling HK\$35,039,000 (1999:HK\$35,039,000) to the Macau S.A.R. government for developing the vacant site into a commercial building under the local regulation. As at 31st December 2000, the subsidiary has fully paid the aggregate land premium instalments of approximately HK\$35,039,000 (1999:HK\$31,840,000). These instalments are included in "Property under development" (Note 11).

The subsidiary has obtained approval from DSSOPT to extend the completion of the construction of the commercial building until June 2002. Construction works were commenced in September 2000 and the construction cost amounted to approximately HK\$14,509,000 was contracted but has not yet been paid (1999: Nil).

- (b) In addition to the commitments mentioned in (a) above, at 31st December 2000, the group and the company also had the following capital commitments:

	2000		1999	
	The group HK\$'000	The company HK\$'000	The group HK\$'000	The company HK\$'000
Capital expenditure:				
contracted but not provided for	5,254	–	236	–

26 Operating lease commitments

At 31st December 2000, the group had commitments to make payments in the next twelve months under operating leases in respect of land and buildings as follows:

	<i>The group</i>	
	2000 HK\$'000	1999 HK\$'000
Within one year	486	10,563
In the second to fifth years inclusive	11,016	694
Over five years	456	447
	11,958	11,704

Notes to the Accounts *(continued)*

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27 Retirement benefit costs

During the year, the group had the following expenses resulting from the retirement scheme arrangements.

	<i>The group</i>	
	2000	1999
	HK\$'000	HK\$'000
Pension costs recognised as expenses	4,687	–

The group participates in two defined contribution schemes which cover the Hong Kong employees and Macau employees separately. Besides, certain subsidiaries of the group are also registered to the Mandatory Provident Fund Schemes Authority in Hong Kong as participating employers during the year.

The banking subsidiary in Macau participates in a scheme operated by the scheme's trustees who are elected by the subsidiary's employees annually. As at 31st December 2000, the scheme has placed deposits with the subsidiary of approximately HK\$10.7 million (1999: HK\$15.5 million). In Hong Kong, the company and other subsidiaries participate in a scheme operated by HSBC Life (International) Limited effective from September 1995.

Under both schemes, the group is required to make contributions at the rate ranging from 8% to 15% of the standard monthly salaries. The staff are entitled to the total contributions upon retirement. Forfeited contributions as a result of resignation before retirement are utilised by the group to reduce the existing level of contributions.

Since November 1998, the group's contributions to both schemes have been suspended under agreements between the group and the staff. The Group's contributions were resumed on 1st April 2000.

28 Related party transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions.

The following is a summary of significant transactions entered into with related parties that include directors, key management, close members of such individuals and companies controlled or significantly influenced by them in addition to those disclosed in notes 8, 11, 21 and 23, which were carried out in the normal course of the group's business.

	2000	1999
	HK\$'000	HK\$'000
Loans		
Outstanding at beginning of year	3,432	3,620
Loans repaid during the year	(200)	(188)
Outstanding as at end of year	3,232	3,432
Interest income	278	284
No provision have been recognised in respect of loans given to related parties (1999: Nil).		
Deposits		
Outstanding at beginning of year	4,787	629
Deposits received during the year	586	5,061
Deposits paid during the year	(4,920)	(903)
Outstanding as at end of year	453	4,787
Interest expense	50	256

29 Subsequent events

On 4th January 2001, the company entered into an agreement to subscribe 28 ordinary shares at HK\$1 per share of the SmarTone Delta Asia (BVI) Limited ("BVI company"), a company incorporated in the British Virgin Islands. This represents an equity interest of 28% in the BVI company's issued share capital. A subsidiary of the BVI company has obtained a provisional licence to provide public mobile phone services in Macau.

30 Approval of accounts

The accounts were approved by the directors on 25th May 2001.

Management Office and Branch Network 集團辦事處網絡

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澳門區 Macau Division

集團辦事處網絡
Management Office and Branch Network



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Management Office and Branch Network 集團辦事處網絡

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香港區 Hong Kong Division

集團辦事處網絡
Management Office and Branch Network



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Social Activities

社會活動

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社會活動
Social Activities



區主席與主禮嘉賓主持滙業銀行六十五週年紀念酒會亮燈儀式。
Mr. Au and the guests of honour at the lighting ceremony of Banco Delta Asia's (BDA) 65th anniversary.



六十五週年員工晚會以夏威夷為主題。
A hot Hawaii-themed staff celebration for the anniversary.



各方賓客祝賀滙業銀行六十五週年紀念。
A warm reception.



區主席於滙業銀行六十五週年紀念酒會上致辭。
Mr. Au delivered his speech on the 65th anniversary.



澳門特區行政長官何厚鏞先生率各嘉賓主持醒獅點睛儀式。
Mr. Edmond Ho, Chief Executive of Macau SAR, led the guests in dotting the lions' eyes.



區主席及主禮嘉賓主持滙業銀行中心奠基儀式。
Mr. Au and honourable guests hosted foundation stone laying ceremony for the new Bank Centre.



區主席於滙業銀行中心奠基儀式上致辭。
Mr. Au spoke at the foundation stone laying ceremony of The Bank Centre.



九獅齊賀滙業銀行中心奠基。
The ceremony peaked at the lions' dance.



區主席於第十一屆滙業盃中學生常識問答比賽上致辭。
Mr. Au applauded the teams' performance on 11th Student Quiz in Macau.



滙業銀行自一九九零年開始，每年均主辦滙業盃中學生常識問答比賽。
The Student Quiz has been a major annual event of Banco Delta Asia since 1990.