

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

1 BASIS OF PRESENTATION

(a) *Statement of compliance*

Although not required to do so under the Bye-Laws of the Company, the financial statements of the Company and the Group are prepared so as to comply with the disclosure requirements of the Hong Kong Companies Ordinance, generally accepted accounting principles in Hong Kong and all applicable Statements of Standard Accounting Practice ("SSAP") and Interpretations issued by the Hong Kong Society of Accountants. The financial statements of the Group have adopted a new SSAP 26 "Segment reporting" and early adopted the revised SSAP 1 "Presentation of Financial Statements". According to the revised SSAP 1, a consolidated statement of changes in equity was prepared to replace the consolidated statement of recognised gains and losses that was previously reported. The basis of identifying reportable segments was changed in accordance with the new SSAP 26. The comparative figures were restated to conform with current year presentation. A summary of the significant accounting policies adopted by the Group is set out below.

(b) *Basis of consolidation*

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

(c) *Basis of preparation of the financial statements*

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and the marking to market of certain financial instruments as explained in the accounting policies set out below.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) *Revenue recognition*

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

(i) *Interest income*

- interest income from loans and advances and deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable except where the recoverability of the principal outstanding is in doubt; and
- interest income from dated debt securities intended to be held to maturity is recognised as it accrues, as adjusted by the amortisation of the premium or discount on acquisition, so as to achieve a constant rate of return over the period from the date of purchase to the date of maturity.

(ii) *Dividend income*

- dividends from unlisted investments are recognised when the right to receive payment is established; and
- dividends from listed investments are recognised when the share price of such investments goes ex-dividend.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Revenue recognition (CONT'D)

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

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

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

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

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

(b) Investments

- (i) *Investment in securities*

Investments in equity and debt securities other than investments in subsidiaries, associates or jointly controlled entities are accounted for as follows:

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

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

Investment securities

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

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

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Investments (CONT'D)

(i) Investment in securities (CONT'D)

Investment securities (CONT'D)

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

Other investments in securities

Other investments in securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the income statement as they arise.

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

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

(ii) Interest in subsidiaries

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

Interest in subsidiaries is stated in the Company's balance sheet at cost less any impairment losses (see note 2(h)).

(iii) Interest in associates and jointly controlled entities

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

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

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

Interests in associates and jointly controlled entities are stated in the Company's balance sheet at cost less any impairment losses (see note 2(h)).

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 2(h)).

In respect of acquisitions of associates and jointly controlled entities, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. The cost of positive goodwill less any accumulated amortisation and any impairment losses (see note 2(h)) is included in the carrying amount of the interest in associates or jointly controlled entities.

Negative goodwill arising on acquisitions of controlled subsidiaries, associates and jointly controlled entities represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

In respect of any negative goodwill not yet recognised in the consolidated income statement:

- for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and
- for associates and jointly controlled entities, such negative goodwill is included in the carrying amount of the interests in associates or jointly controlled entities.

On disposal of a controlled subsidiary, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement or which have previously been dealt with as a movement on Group reserves is included in the calculation of the profit or loss on disposal.

(d) Fixed assets and depreciation

(i) Premises are stated at cost less accumulated depreciation and impairment losses (see note 2(h)). Depreciation is calculated to write off the assets over their estimated useful lives as follows:

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

Furniture, fixtures and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(h)). Depreciation is calculated on a straight line basis to write off the assets over their estimated useful lives, taken as being between 3 to 10 years.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) *Fixed assets and depreciation (CONT'D)*

- (ii) On disposal of fixed assets, the profit or loss is determined as the difference between the net sale proceeds and the carrying amount.

(e) *Investment properties*

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

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

On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment property revaluation reserve is transferred to the income statement for the year.

(f) *Properties held for sale*

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

(g) *Development properties*

Development properties are stated at cost less any provisions for impairment in value which is other than temporary as determined by the directors, plus, where appropriate, a portion of attributable profit less progress billings. Land, related acquisition expenses, development expenditure, interest and other related expenditure are capitalised as part of the cost of development properties.

(h) *Impairment of assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired:

- furniture, fixtures and equipment;
- properties (other than investment properties);
- investments in subsidiaries, associates and jointly controlled entities; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment of assets (CONT'D)

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where there are assets that do not generate cash flows largely independent of those from other assets, recoverable amounts are determined for the smallest group of assets that generates cash inflows independently.

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are taken to the income statement in the year in which the reversals are recognised, except where the assets are carried at revalued amounts, in which case the reversal of impairment loss is treated as a revaluation movement.

(i) Leased assets

(i) Assets held for use in operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 2(d). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(h). Revenue arising from operating leases is recognised in accordance with the Group's revenue policies, as set out in note 2(a)(v).

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(j) Long term notes and bonds issued

Long term notes and bonds are stated at amortised cost. The difference between the initial cost and the maturity amount is amortised using the effective interest rate method over the repayment period.

(k) Cash equivalents

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

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) *Deferred taxation*

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatments of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

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

(m) *Insurance operations*

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

(n) *Translation of foreign currencies*

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

(o) *Retirement costs*

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the income statement when incurred.

The Group also contributed to retirement schemes of its overseas subsidiaries in accordance with their respective requirements and the contributions thereto are charged to the income statement for the year.

(p) *Borrowing costs*

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

(q) *Provisions and contingent liabilities*

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) *Off-balance sheet financial instruments*

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

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

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

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

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

(s) *Related parties*

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

(t) *Segment reporting*

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. They are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Segment reporting (CONT'D)

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

(i) Business segments

The Group comprises the following main business segments:

| | | |
|--|---|---|
| Treasury, fund and investment management | : | Provision of fund management services, treasury and investment management |
| Property development | : | Development of residential and commercial properties |
| Property investment | : | Holding properties for rental income |
| Securities, commodities and brokerage | : | Stock and commodity broking |
| Insurance | : | Insurance and reinsurance of all classes of general insurance risk |

(ii) Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

3 TURNOVER

The principal activity of the Company is investment holding and those of its subsidiaries are set out on pages 60 to 68.

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

| | The Group | |
|---|------------------|-----------|
| | 2002 | 2001 |
| | \$'000 | \$'000 |
| Continuing operations | | |
| Income from sale of properties | 126,024 | 158,374 |
| Interest income from non-banking operations | 60,166 | 7,202 |
| Dividend income from listed and unlisted securities | 23,184 | 6,225 |
| Gross insurance premiums | 23,060 | 21,798 |
| Rental income from properties | 16,424 | 20,279 |
| Securities, commission and brokerage | 5,406 | 9,693 |
| Income from sale of investments in securities | 4,050 | 11,306 |
| Other income | 9,174 | 6,469 |
| | 267,488 | 241,346 |
| Discontinued operations | | |
| Interest income from banking operations | — | 1,135,993 |
| Other income from banking operations | — | 148,630 |
| | — | 1,284,623 |
| | 267,488 | 1,525,969 |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

4 INCOME

(a) Other revenue

| | The Group | |
|--|--------------|--------------|
| | 2002 | 2001 |
| | \$'000 | \$'000 |
| Interest income from unlisted securities | 354 | — |
| Interest income from listed securities | 343 | 473 |
| Others | 1,297 | 1,654 |
| | <u>1,994</u> | <u>2,127</u> |

(b) Other net income

| | The Group | |
|--|----------------|---------------|
| | 2002 | 2001 |
| | \$'000 | \$'000 |
| Net realised gains on other investments | 107,198 | 1,365 |
| Net exchange gains/(losses) | 44,825 | (848) |
| Gains on foreign exchange dealing | 2,219 | 1,494 |
| Net profits from dealing investments | 206 | 147 |
| Net profits on disposal of fixed assets | 144 | 2,022 |
| Net unrealised (losses)/gains on other investments | (14,179) | 18,415 |
| Others | 2,105 | (5,788) |
| | <u>142,518</u> | <u>16,807</u> |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

5 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation of the Group is arrived at

| | The Group | |
|--|----------------|-------------|
| | 2002 | 2001 |
| | \$'000 | \$'000 |
| after charging: | | |
| Staff costs (including retirement scheme contributions of \$921,000 (2001: \$2,729,000)) | 19,574 | 138,649 |
| Depreciation | 2,501 | 32,681 |
| Operating lease charges | | |
| -properties | 2,194 | 8,403 |
| -others | 16 | 18 |
| Amortisation of positive goodwill included in share of profits less losses of associates | 445 | 15,730 |
| Auditors' remuneration | 254 | 899 |
| Impairment loss on properties | 69,267 | 6,540 |
| Donations | 68 | 188 |
| | <hr/> <hr/> | <hr/> <hr/> |
| and crediting: | | |
| Amortisation of negative goodwill | 81 | 12,470 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Gross rental income from investment properties | 16,424 | 20,279 |
| Less: direct outgoings | (1,749) | (1,304) |
| | <hr/> <hr/> | <hr/> <hr/> |
| Net rental income | 14,675 | 18,975 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Share of profits less losses of associates: | | |
| -listed | 46,360 | 27,869 |
| -unlisted | 3,423 | (22,755) |
| | <hr/> <hr/> | <hr/> <hr/> |
| | 49,783 | 5,114 |
| | <hr/> <hr/> | <hr/> <hr/> |

NOTES ON THE FINANCIAL STATEMENTS

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6 FINANCE COST FOR NON-BANKING OPERATIONS

| | The Group | |
|--|-----------------|----------|
| | 2002 | 2001 |
| | \$'000 | \$'000 |
| Interest on bank advances and other borrowings repayable within five years | 41,060 | 83,967 |
| Other borrowing costs | 727 | 1,398 |
| Total borrowing costs | 41,787 | 85,365 |
| Less: borrowing costs capitalised into development properties | (20,795) | (28,070) |
| | 20,992 | 57,295 |

Notes:

- (i) This excludes the interest expenses of the banking operations.
- (ii) The borrowing costs have been capitalised at between 2.16% to 6.15% per annum for development properties (2001: 3.2% to 8.02%).

7 TAXATION

- (a) Taxation in the consolidated income statement represents:

| | The Group | |
|--|---------------|--------|
| | 2002 | 2001 |
| | \$'000 | \$'000 |
| Hong Kong Profits Tax | 2,618 | 24,221 |
| Overseas taxation | 4,215 | 5,610 |
| Deferred taxation (Note 27) | 5,832 | 5,003 |
| | 12,665 | 34,834 |
| Share of associates' taxation | 20,955 | 12,203 |
| Share of jointly controlled entities' taxation | — | 1,135 |
| | 33,620 | 48,172 |

Provision for Hong Kong Profits Tax is based on the estimated assessable profits for the year at the rate of 16% (2001: 16%). Taxation for overseas subsidiaries is charged at the appropriate rates of taxation ruling in the countries in which they operate.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

7 TAXATION (CONT'D)

(b) Taxation in the balance sheet represents:

| | The Group | | The Company | |
|--|----------------|----------------|----------------|----------------|
| | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| Hong Kong Profits Tax | 3,291 | 1,780 | 2,719 | 27 |
| Overseas taxation | 10,598 | 11,387 | — | — |
| Taxation payable | 13,889 | 13,167 | 2,719 | 27 |
| Amount of taxation payable expected to be settled after more than 1 year | 970 | 571 | — | — |

8 DIRECTORS' REMUNERATION

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

| | The Group | |
|---|----------------|----------------|
| | 2002 \$'000 | 2001 \$'000 |
| Fees | 207 | 362 |
| Salaries, allowances and benefits in kind | 1,812 | 1,685 |
| Discretionary bonuses | 298 | 24,141 |
| Pension contributions | 111 | 94 |
| | 2,428 | 26,282 |

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

| | The Group | |
|---|----------------|----------------|
| | 2002 \$'000 | 2001 \$'000 |
| Fees | 89 | 145 |
| Salaries, allowances and benefits in kind | 8 | 8 |
| | 97 | 153 |

In addition to the above emoluments, certain directors were granted share options under the Company's (2001: Company's and a former subsidiary's) share option scheme. The details of these benefits in kind are disclosed under the paragraph "Share option scheme" in the directors' report.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

8 DIRECTORS' REMUNERATION (CONT'D)

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

| | The Group | |
|-------------------------|--------------------------------|--------------------------------|
| | 2002 Number of directors | 2001 Number of directors |
| \$ | | |
| 0 - 150,000 | 6 | 6 |
| 150,001 - 200,000 | 1 | 1 |
| 500,001 - 550,000 | 1 | — |
| 650,001 - 700,000 | — | 1 |
| 700,001 - 750,000 | 1 | — |
| 800,001 - 850,000 | 1 | — |
| 850,001 - 900,000 | — | 1 |
| 24,250,001 - 24,300,000 | — | 1 |
| | <u>10</u> | <u>10</u> |

9 EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Among the five highest paid individuals of the Group, three (2001: three) are directors whose remuneration is disclosed in Note 8. The remuneration of the other two (2001: two) individuals is as follows:

| | The Group | |
|---|----------------|----------------|
| | 2002 \$'000 | 2001 \$'000 |
| Salaries, allowances and benefits in kind | 599 | 725 |
| Discretionary bonuses | 380 | 3,680 |
| Pension contributions | 35 | 48 |
| | <u>1,014</u> | <u>4,453</u> |

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

| | The Group | |
|-----------------------|----------------------------------|----------------------------------|
| | 2002 Number of individuals | 2001 Number of individuals |
| \$ | | |
| 500,001 - 550,000 | 2 | — |
| 1,350,001 - 1,400,000 | — | 1 |
| 3,050,001 - 3,100,000 | — | 1 |
| | <u>2</u> | <u>2</u> |

NOTES ON THE FINANCIAL STATEMENTS

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10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group profit attributable to shareholders includes a profit of \$75,140,000 (2001: \$3,356,226,000) which has been dealt with in the financial statements of the Company.

11 DIVIDENDS

| | The Group and the Company | |
|--|------------------------------|--------|
| | 2002 | 2001 |
| | \$'000 | \$'000 |
| 2001: Final dividend paid of HK\$0.60 per share (2000: HK\$0.55 per share) | 24,933 | 30,100 |
| 2002: Interim dividend paid of HK\$0.40 per share (2001: HK\$0.20 per share) | 16,625 | 10,941 |
| | 41,558 | 41,041 |
| 2002: Proposed final dividend of HK\$0.70 per share (2001: HK\$0.60 per share) | 29,085 | 32,854 |

The proposed final dividend for the year ended 30 June 2002 of \$29,085,000 (2001: \$32,854,000) is calculated based on 324,081,373 ordinary shares (2001: 427,091,086 ordinary shares) in issue as at 30 June 2002.

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of \$202,656,000 (2001: \$2,726,259,000) and the weighted average number of 367,103,637 ordinary shares (2001: 426,711,908 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of \$199,750,000 (2001: \$2,725,990,000) and the weighted average number of 370,762,460 ordinary shares (2001: 428,679,403 ordinary shares) in issue during the year after adjusting for the effect of all dilutive potential ordinary shares.

(c) Reconciliations

| | 2002 | 2001 |
|---|---------------------|---------------------|
| | Number of shares | Number of shares |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 367,103,637 | 426,711,908 |
| Deemed issue of ordinary shares under share option scheme | 3,658,823 | 1,967,495 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 370,762,460 | 428,679,403 |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

13 SEGMENT INFORMATION

Business segments

Revenue and expenses

For the year ended 30 June 2002

| | Continuing operations | | | | | Discontinued operations | | Total \$'000 |
|---|---|-----------------------------------|----------------------------------|--|---------------------|---------------------------------------|--|-----------------|
| | Treasury, fund and investment management \$'000 | Property development \$'000 | Property investment \$'000 | Securities, commodities and brokerage \$'000 | Insurance \$'000 | Banking and financing \$'000 | Inter- segment elimination \$'000 | |
| Turnover | 92,057 | 126,024 | 19,122 | 6,988 | 23,297 | — | — | 267,488 |
| Inter-segment turnover | 12,639 | — | 818 | 1,915 | 412 | — | (15,784) | — |
| | <u>104,696</u> | <u>126,024</u> | <u>19,940</u> | <u>8,903</u> | <u>23,709</u> | <u>—</u> | <u>(15,784)</u> | <u>267,488</u> |
| Contribution from operations | 212,461 | 11,418 | 13,004 | 866 | (129) | — | — | 237,620 |
| Unallocated income | | | | | | | | 312 |
| Unallocated expenses | | | | | | | | (7,823) |
| Operating profit before finance cost | | | | | | | | 230,109 |
| Finance cost for non-banking operations | | | | | | | | (20,992) |
| Operating profit | | | | | | | | 209,117 |
| Profit on disposal of an associate | | | | | | | | 13,503 |
| Impairment loss on properties | (4,926) | (63,751) | — | — | (590) | — | — | (69,267) |
| Deficit on revaluation of investment properties | — | — | (1,452) | — | — | — | — | (1,452) |
| Net loss on disposal of investment properties | | | | | | | | (13,438) |
| Operating profit on ordinary activities | | | | | | | | 138,463 |
| Share of profits less losses of associates | 31,683 | 4,670 | 13,430 | — | — | — | — | 49,783 |
| Share of profits less losses of jointly controlled entities | (231) | — | — | — | — | — | — | (231) |
| Profit from ordinary activities before taxation | | | | | | | | 188,015 |
| Taxation | | | | | | | | (33,620) |
| Profit after taxation | | | | | | | | 154,395 |
| Minority interests | | | | | | | | 48,261 |
| Profit attributable to shareholders | | | | | | | | <u>202,656</u> |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

13 SEGMENT INFORMATION (CONT'D)

Business segments (CONT'D)

Revenue and expenses (CONT'D)

For the year ended 30 June 2001

| | Continuing operations | | | | | Discontinued operations | | Total \$'000 |
|--|---|-----------------------------------|----------------------------------|--|---------------------|---------------------------------------|--|------------------|
| | Treasury, fund and investment management \$'000 | Property development \$'000 | Property investment \$'000 | Securities, commodities and brokerage \$'000 | Insurance \$'000 | Banking and financing \$'000 | Inter- segment elimination \$'000 | |
| Turnover | 26,948 | 158,374 | 22,373 | 11,853 | 21,798 | 1,284,623 | — | 1,525,969 |
| Inter-segment turnover | 55,627 | — | 508 | 3,895 | 1,681 | — | (61,711) | — |
| | <u>82,575</u> | <u>158,374</u> | <u>22,881</u> | <u>15,748</u> | <u>23,479</u> | <u>1,284,623</u> | <u>(61,711)</u> | <u>1,525,969</u> |
| Contribution from operations | 28,122 | 4,666 | 15,345 | 4,083 | 2,494 | 229,320 | — | 284,030 |
| Unallocated income | | | | | | | | 1,003 |
| Unallocated expenses | | | | | | | | (6,699) |
| Operating profit before finance cost | | | | | | | | 278,334 |
| Finance cost for non-banking operations | | | | | | | | (57,295) |
| Operating profit | | | | | | | | 221,039 |
| Profit on disposal of subsidiaries | | | | | | | | 2,901,384 |
| Provision for investments in subsidiaries, associates and jointly controlled entities | | | | | | | | (325,485) |
| Impairment loss on properties | — | (6,540) | — | — | — | — | — | (6,540) |
| Operating profit on ordinary activities | | | | | | | | 2,790,398 |
| Share of profits less losses of associates | (17,883) | 1,165 | 21,832 | — | — | — | — | 5,114 |
| Share of profits less losses of jointly controlled entities | (412) | — | — | — | — | 6,796 | — | 6,384 |
| Profit from ordinary activities before taxation | | | | | | | | 2,801,896 |
| Taxation | | | | | | | | (48,172) |
| Profit after taxation | | | | | | | | 2,753,724 |
| Minority interests | | | | | | | | (27,465) |
| Profit attributable to shareholders | | | | | | | | <u>2,726,259</u> |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

13 SEGMENT INFORMATION (CONT'D)

Business segments (CONT'D)

Assets and liabilities

| | Continuing operations | | | | | Total \$'000 |
|--|---|-----------------------------------|----------------------------------|--|---------------------|------------------|
| | Treasury, fund and investment management \$'000 | Property development \$'000 | Property investment \$'000 | Securities, commodities and brokerage \$'000 | Insurance \$'000 | |
| | | | | | | |
| <i>As at 30 June 2002</i> | | | | | | |
| Segment assets | 3,253,685 | 664,843 | 242,904 | 57,684 | 59,525 | 4,278,641 |
| Interest in associates | 184,374 | 30,364 | 218,205 | — | — | 432,943 |
| Interest in jointly controlled entities | 221 | (4,376) | — | — | — | (4,155) |
| Unallocated assets | | | | | | 44,534 |
| Total assets | | | | | | <u>4,751,963</u> |
| Segment liabilities | 12,671 | 363,077 | 7,599 | 46,780 | 24,304 | 454,431 |
| Unallocated liabilities | | | | | | 511,646 |
| Total liabilities | | | | | | <u>966,077</u> |
| <i>As at 30 June 2001</i> | | | | | | |
| Segment assets | 4,271,052 | 795,997 | 245,324 | 78,205 | 73,743 | 5,464,321 |
| Interest in associates | 122,281 | 25,497 | 308,373 | — | — | 456,151 |
| Interest in jointly controlled entities | 452 | (1,384) | — | — | — | (932) |
| Unallocated assets | | | | | | 17,683 |
| Total assets | | | | | | <u>5,937,223</u> |
| Segment liabilities | 433,825 | 386,539 | 11,501 | 60,488 | 31,456 | 923,809 |
| Unallocated liabilities | | | | | | 648,187 |
| Total liabilities | | | | | | <u>1,571,996</u> |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

13 SEGMENT INFORMATION (CONT'D)

Business segments (CONT'D)

Other information

| | Continuing operations | | | | | Discontinued operations | Total \$'000 |
|--|---|-----------------------------------|----------------------------------|--|---------------------|---------------------------------------|-----------------|
| | Treasury, fund and investment management \$'000 | Property development \$'000 | Property investment \$'000 | Securities, commodities and brokerage \$'000 | Insurance \$'000 | Banking and financing \$'000 | |
| 2002 | | | | | | | |
| Capital expenditure incurred during the year | 2,738 | 32 | — | 650 | 292 | — | 3,712 |
| Depreciation and amortisation for the year | 1,554 | 218 | — | 533 | 560 | — | 2,865 |
| 2001 | | | | | | | |
| Capital expenditure incurred during the year | 605 | 436 | — | 558 | 209 | 21,863 | 23,671 |
| Depreciation and amortisation for the year | 3,755 | 232 | — | 668 | 570 | 30,716 | 35,941 |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

13 SEGMENT INFORMATION (CONT'D)

Geographical segments

| | Turnover | | Operating profit/(loss) | |
|--|-----------------------|------------------|----------------------------|----------------|
| | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| <i>Continuing operations</i> | | | | |
| Hong Kong | 109,633 | 30,936 | 208,070 | (23,255) |
| Singapore | 132,530 | 133,433 | (15,025) | 9,643 |
| Asia (excluding Hong Kong and Singapore) | 24,282 | 75,903 | 15,030 | 4,320 |
| Others | 1,043 | 1,074 | 1,042 | 1,011 |
| | <u>267,488</u> | <u>241,346</u> | <u>209,117</u> | <u>(8,281)</u> |
| <i>Discontinued operations</i> | | | | |
| Hong Kong | — | 1,239,207 | — | 225,451 |
| Asia (excluding Hong Kong) | — | 19,005 | — | 1,791 |
| Others | — | 26,411 | — | 2,078 |
| | <u>—</u> | <u>1,284,623</u> | <u>—</u> | <u>229,320</u> |
| | <u>267,488</u> | <u>1,525,969</u> | <u>209,117</u> | <u>221,039</u> |
| | Segment assets | | Capital expenditure | |
| | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| Hong Kong | 3,205,735 | 4,134,156 | 3,286 | 22,858 |
| Singapore | 1,034,609 | 1,267,743 | 272 | 792 |
| Asia (excluding Hong Kong and Singapore) | 291,958 | 286,361 | 154 | 21 |
| Others | 219,661 | 248,963 | — | — |
| | <u>4,751,963</u> | <u>5,937,223</u> | <u>3,712</u> | <u>23,671</u> |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

14 FIXED ASSETS

| | The Group | | | Total \$'000 |
|---------------------------------------|------------------------------------|---|---|-----------------------|
| | Investment properties \$'000 | Freehold and leasehold premises \$'000 | Furniture, fixtures and equipment \$'000 | |
| Cost or valuation: | | | | |
| As at 1 July 2001 | 244,979 | 6,046 | 9,758 | 260,783 |
| Additions | | | | |
| - through acquisition of subsidiaries | 55,667 | 16,422 | — | 72,089 |
| - others | — | 1,437 | 2,275 | 3,712 |
| Disposals | (35,413) | (82) | (961) | (36,456) |
| Deficit on revaluation | (37,648) | — | — | (37,648) |
| Exchange adjustments | 7,666 | 2 | 139 | 7,807 |
| | <u>235,251</u> | <u>23,825</u> | <u>11,211</u> | <u>270,287</u> |
| As at 30 June 2002 | | | | |
| Representing: | | | | |
| Cost | — | 23,825 | 11,211 | 35,036 |
| Valuation - 30 June 2002 | 235,251 | — | — | 235,251 |
| | <u>235,251</u> | <u>23,825</u> | <u>11,211</u> | <u>270,287</u> |
| Accumulated depreciation: | | | | |
| As at 1 July 2001 | — | 1,478 | 5,859 | 7,337 |
| Charge for the year | — | 666 | 1,835 | 2,501 |
| Written back on disposal | — | (68) | (877) | (945) |
| Impairment loss | — | 5,516 | — | 5,516 |
| Exchange adjustments | — | 3 | 97 | 100 |
| | <u>—</u> | <u>7,595</u> | <u>6,914</u> | <u>14,509</u> |
| As at 30 June 2002 | | | | |
| Net book value: | | | | |
| As at 30 June 2002 | <u>235,251</u> | <u>16,230</u> | <u>4,297</u> | <u>255,778</u> |
| As at 30 June 2001 | <u>244,979</u> | <u>4,568</u> | <u>3,899</u> | <u>253,446</u> |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

14 FIXED ASSETS (CONT'D)

- (a) The analysis of net book value of properties is as follows:

| | The Group | |
|---|----------------|----------------|
| | 2002 | 2001 |
| | \$'000 | \$'000 |
| In Hong Kong: | | |
| - Leasehold with over 50 years unexpired | 14,628 | 60 |
| - Leasehold with between 10 to 50 years unexpired | 36,073 | 4,407 |
| - Leasehold with less than 10 years unexpired | 1,084 | 87 |
| Outside Hong Kong: | | |
| - Leasehold with over 50 years unexpired | 199,696 | 244,979 |
| - Leasehold with less than 10 years unexpired | — | 14 |
| | <u>251,481</u> | <u>249,547</u> |

- (b) The Group's investment properties are located in Hong Kong and Singapore. The properties which are located in Singapore were valued on an open market basis as at 30 June 2002 by DTZ Debenham Tie Leung (SEA) Pte Ltd, an independent firm of professional valuers, who are members of the Singapore Institute of Surveyors and Valuers. The Group's investment properties in Hong Kong were revalued on an open market basis as at 30 June 2002 by Mr Terry Chui, an officer employed by the Group, who is an associate member of the Hong Kong Institute of Surveyors.
- (c) Certain of the Group's investment properties with a book value of \$82 million (2001: \$122.1 million) were pledged to banks to secure banking facilities granted to the Group.
- (d) The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to three years. None of the leases includes contingent rentals. The gross carrying amounts of investment properties of the Group held for use in operating leases were \$235,251,000 (2001: \$244,979,000).

15 INTEREST IN SUBSIDIARIES

| | The Company | |
|-------------------------------|------------------|------------------|
| | 2002 | 2001 |
| | \$'000 | \$'000 |
| Unlisted shares, at cost | 13,573 | 13,546 |
| Amounts due from subsidiaries | 2,017,992 | 1,792,302 |
| | <u>2,031,565</u> | <u>1,805,848</u> |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

15 INTEREST IN SUBSIDIARIES (CONT'D)

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

| Name of Company | Issued and paid up ordinary share capital | Percentage held by the | | Principal activities |
|--|---|------------------------|-------|--|
| | | Company | Group | |
| Asia Fountain Investment Company Limited | 2 shares of HK\$10 each | — | 100 | Investment trading |
| China Fine Development Limited | 10,000 shares of HK\$1 each | — | 71 | Property development |
| Dao Heng Commodities Limited | 100,000 shares of HK\$100 each | — | 100 | Commodities trading |
| Dao Heng Enterprises Limited | 23,000,000 shares of HK\$1 each | 100 | — | Investment holding |
| Dao Heng Fund Management Limited | 150,000 shares of HK\$100 each | — | 100 | Fund management |
| Dao Heng Insurance Co., Limited | 500,000 shares of HK\$100 each | — | 100 | Insurance |
| Dao Heng Securities Limited | 120,000 shares of HK\$100 each | — | 100 | Stockbroking |
| Eagleman Development Limited | 10,000 shares of HK\$1 each | — | 71 | Property development |
| Guoco Management Company Limited | 2 shares of HK\$1 each | 100 | — | Provision of general management services |
| Guoco Investments (China) Limited | 10,000,000 shares of HK\$1 each | 100 | — | Investment holding |
| Superwell Properties Limited | 10,000 shares of HK\$1 each | — | 71 | Property development |
| Top Known International Limited | 10,000 shares of HK\$1 each | — | 71 | Property development |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

15 INTEREST IN SUBSIDIARIES (CONT'D)

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

| Name of Company | Issued and paid up ordinary share capital | Percentage held by the | | Principal activities |
|-----------------------------------|---|------------------------|-------|--|
| | | Company | Group | |
| A-Z Holdings Pte Ltd | 27,000,000 shares of S\$1 each | — | 54 | Investment holding and property investment |
| Branmil Holdings Pte Ltd | 2 shares of S\$1 each | — | 54 | Investment holding |
| Chelford Pte Ltd | 2 shares of S\$1 each | — | 54 | Investment holding |
| Cheltenham Investments Pte Ltd | 500,000 shares of S\$1 each | — | 54 | Investment holding |
| Chiltern Park Development Pte Ltd | 28,300,000 shares of S\$1 each | — | 54 | Property development |
| Da Zhong Investment Pte Ltd | 4,000,000 shares of S\$1 each | — | 54 | Investment holding |
| Deyrolle Pte Ltd | 2 shares of S\$1 each | — | 54 | Investment holding |
| Elias Development Pte Ltd | 7,500,000 shares of S\$1 each | — | 54 | Property development |
| Everian Holdings Pte Ltd | 32,000,000 shares of S\$1 each | — | 54 | Property development |
| First Bedok Land Pte Ltd | 72,000,000 shares of S\$1 each | — | 54 | Property development |
| First Bukit Panjang Land Pte Ltd | 71,190,000 shares of S\$1 each | — | 54 | Property development |
| First Capital Asia Pte Ltd | 19,000,000 shares of S\$1 each | — | 54 | Investment holding |
| First Capital Asia Land Pte Ltd | 88,000,000 shares of S\$1 each | — | 54 | Property development |
| First Capital Corporation Ltd | 368,742,476 shares of S\$1 each | — | 54 | Investment holding |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

15 INTEREST IN SUBSIDIARIES (CONT'D)

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

| Name of Company | Issued and paid up ordinary share capital | Percentage held by the | | Principal activities |
|--|---|------------------------|-------|-----------------------------------|
| | | Company | Group | |
| First Capital Development Pte Ltd | 1,000,000 shares of S\$1 each | — | 54 | Property investment |
| First Cavendish Development Pte Ltd | 23,400,000 shares of S\$1 each | — | 54 | Property development |
| First Capital Hotels Pte Ltd | 2 shares of S\$1 each | — | 54 | Investment holding |
| First Capital Insurance Limited (Note (i)) | 25,000,000 shares of S\$1 each | — | 53 | General insurance and reinsurance |
| First Capital Investment Ltd | 10,000,000 shares of S\$1 each | — | 54 | Investment trading |
| First Capital Land Pte Ltd | 70,000,000 shares of S\$1 each | — | 54 | Property investment |
| First Capital Management Pte Ltd | 500,000 shares of S\$1 each | — | 54 | Provision of management services |
| First Capital Properties Pte Ltd | 10,000,000 shares of S\$1 each | — | 54 | Property investment |
| First Capital Assets Pte Ltd | 15,000,000 shares of S\$1 each | — | 54 | Investment holding |
| First Capital Holdings (HK) Pte Ltd | 4,500,000 shares of S\$1 each | — | 54 | Investment holding |
| First Capital Holdings (Thailand) Pte Ltd | 2 shares of S\$1 each | — | 54 | Investment holding |
| Guoco Investment Services Pte Ltd | 50,000 shares of S\$1 each | 100 | — | Provision of management services |
| First Capital Holdings (U.K.) Pte Ltd | 9,000,000 shares of S\$1 each | — | 54 | Investment holding |
| First Capital Holdings Pte Ltd | 2 shares of S\$1 each | — | 54 | Investment holding and trading |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

15 INTEREST IN SUBSIDIARIES (CONT'D)

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

| Name of Company | Issued and paid up ordinary share capital | Percentage held by the | | Principal activities |
|---|---|------------------------|-------|---|
| | | Company | Group | |
| First Capital Property Management Pte Ltd | 2 shares of S\$1 each | — | 54 | Property management, marketing and maintenance services |
| First Capital Realty Pte Ltd | 30,000,000 shares of S\$1 each | — | 54 | Property development |
| First Changi Development Pte Ltd | 44,446,750 shares of S\$1 each | — | 49 | Property development |
| First Coventry Development Pte Ltd | 17,830,000 shares of S\$1 each | — | 54 | Property development |
| FCC Equities Pte Ltd | 4,500,000 shares of S\$1 each | — | 54 | Investment holding and trading |
| First Garden Development Pte Ltd | 80,000,000 shares of S\$1 each | — | 49 | Property development |
| Fasidon Holdings Pte Ltd | 77,112,700 shares of S\$1 each | — | 54 | Property development |
| FCC Holdings Pte Ltd | 2 shares of S\$1 each | — | 54 | Investment holding |
| Fica Nominees Pte Ltd | 2 shares of S\$1 each | — | 54 | Investment holding and provision of nominee services |
| First Mayer Development Pte Ltd (formerly known as First Jurong Land Pte Ltd) | 118,930,000 shares of S\$1 each | — | 54 | Property development |
| First Loyang Land Pte Ltd | 55,834,697 shares of S\$1 each | — | 54 | Property development |
| First Tanglin Land Pte Ltd | 25,628,700 shares of S\$1 each | — | 54 | Property development |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

15 INTEREST IN SUBSIDIARIES (CONT'D)

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

| Name of Company | Issued and paid up ordinary share capital | Percentage held by the | | Principal activities |
|--|---|------------------------|-------|--|
| | | Company | Group | |
| Guoco Assets Pte Ltd | 2 shares of S\$1 each | 100 | — | Investment holding |
| Guoco Investment Pte Ltd | 20,000,000 shares of S\$1 each | 100 | — | Investment holding |
| Hedover Holdings Pte Ltd | 5,000,000 shares of S\$1 each | — | 54 | Property investment |
| Harbour View Development Pte Ltd | 13,100,000 shares of S\$1 each | — | 54 | Property development |
| Leonie Land Pte Ltd | 19,310,000 shares of S\$1 each | — | 54 | Property development |
| Melville Park Development Pte Ltd | 72,300,000 shares of S\$1 each | — | 44 | Property development |
| My Home Online Pte Ltd | 10 shares of S\$1 each | — | 33 | Provider of internet commerce services |
| Prime Underwriting Managers (Pte) Ltd (Note (i)) | 200,000 shares of S\$1 each | — | 53 | Underwriting managers |
| Rivaldo Investments Pte Ltd | 2 shares of S\$1 each | — | 54 | Investment holding and trading |
| Sanctuary Land Pte Ltd | 60,000,000 shares of S\$1 each | — | 49 | Property development |
| Tanamera Development Pte Ltd | 20,500,000 shares of S\$1 each | — | 54 | Property development |
| Winterhall Pte Ltd | 2 shares of S\$1 each | — | 54 | Investment holding and trading |
| FCC Net Pte Ltd | 2 shares of S\$1 each | — | 54 | Investment holding |
| Lilleham Investments Pte Ltd | 2 shares of S\$1 each | — | 54 | Investment holding and trading |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

15 INTEREST IN SUBSIDIARIES (CONT'D)

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

| Name of Company | Country of incorporation and operation | Issued and paid up ordinary share capital | Percentage held by the Company Group | | Principal activities |
|--|--|---|--------------------------------------|-----|----------------------|
| Beijing Minghua Property Development Co., Ltd. (Note(i)) | People's Republic of China | RMB200,000,000 (Note (ii)) | — | 60 | Property development |
| Courtenay Enterprises Limited (Note (iii)) | British Virgin Islands | 1 share of US\$1 each | — | 100 | Property investment |
| DH Capital Management (BVI) Limited (Note (iii)) | British Virgin Islands | 2 shares of US\$1 each | 100 | — | Fund management |
| Dynamic Source Group Limited (Note (iii)) | British Virgin Islands | 1 share of US\$1 each | 100 | — | Investment holding |
| Guoco Assets (Philippines), Inc. | Philippines | 1,210,000 shares of P100 each | — | 100 | Investment holding |
| Guoco Assets Sdn. Bhd. | Malaysia | 2 shares of M\$1 each | 100 | — | Investment holding |
| Guoco Properties Limited (Note (iii)) | Bermuda | 20,000,000 shares of US\$1 each | 55 | 24 | Investment holding |
| Guoco Securities (Bermuda) Limited (Note (iii)) | Bermuda | 120,000 shares of US\$0.10 each | 100 | — | Investment holding |
| GG3311 Limited (Note (iii)) | British Virgin Islands | 1 share of US\$1 each | 100 | — | Investment holding |
| GL Holdings Limited (Note (iii)) | British Virgin Islands | 1 share of US\$1 each | 100 | — | Investment holding |
| Hong Way Holdings, Inc. | Philippines | 100,000 shares of P1 each | 60 | 40 | Investment holding |
| Reunification Properties Limited (Note (iii)) | British Virgin Islands | 1 share of US\$1 each | — | 100 | Investment holding |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

15 INTEREST IN SUBSIDIARIES (CONT'D)

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

| Name of Company | Country of incorporation and operation | Issued and paid up ordinary share capital | Percentage held by the | | Principal activities |
|--|--|---|------------------------|-------|----------------------|
| | | | Company | Group | |
| Suzhou China Fine Real Estate Development Co., Ltd. (Note (i)) | People's Republic of China | RMB22,468,709 (Note (ii)) | — | 71 | Property development |
| Suzhou Superwell Real Estate Development Co., Ltd. (Note (i)) | People's Republic of China | RMB20,223,347 (Note (ii)) | — | 71 | Property development |
| Suzhou Top Known Real Estate Development Co., Ltd. (Note (i)) | People's Republic of China | RMB36,292,454 (Note (ii)) | — | 71 | Property development |
| Suzhou Eagleman Real Estate Development Co., Ltd. (Note (i)) | People's Republic of China | RMB39,869,392 (Note (ii)) | — | 71 | Property development |
| Shanghai Xin Hao Zhong Property Co., Ltd. (Note (i)) | People's Republic of China | US\$20,000,000 (Note (ii)) | — | 78 | Property development |
| Scorewell Corporation (Note (iii)) | British Virgin Islands | 1 share of US\$1 each | — | 100 | Investment holding |
| Substantial Resources Limited (Note (iii)) | British Virgin Islands | 1 share of US\$1 each | 100 | — | Investment holding |
| Taipo Limited (Note (iii)) | British Virgin Islands | 1 share of US\$1 each | — | 100 | Investment holding |
| Zeltand Holdings Limited | British Virgin Islands | 10 shares of US\$1 each | — | 54 | Investment holding |
| W.C.H. Limited (Note (iii), (iv) and (v)) | British Virgin Islands | 500,000 shares of HK\$1 each | — | 100 | Property investment |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

15 INTEREST IN SUBSIDIARIES (CONT'D)

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

| Name of Company | Country of incorporation and operation | Issued and paid up ordinary share capital | Percentage held by the Company Group | | Principal activities |
|--|--|---|--------------------------------------|-----|----------------------|
| Wanchai Property Investment Limited (Notes (iii), (iv) and (v)) | British Virgin Islands | 500,000 shares of HK\$1 each | — | 100 | Property investment |
| Supreme Goal Investments Limited (Notes (iii) and (v)) | British Virgin Islands | 1 share of US\$1 each | — | 100 | Property investment |
| Capital Intelligence Limited (Note (iii)) | Cayman Islands | 1 share of US\$1 each | 100 | — | Investment trading |
| Checkenden Limited | British Virgin Islands | 2 shares of US\$1 each | — | 54 | Investment holding |
| First Capital Assets (BVI) Ltd | British Virgin Islands | 2 shares of US\$1 each | — | 54 | Investment holding |

Notes:

- (i) These companies have a financial year end of 31 December.
- (ii) These comprise capital contribution to the companies. These companies have a defined period of existence.
- (iii) These companies are operating in Hong Kong.
- (iv) These companies have issued and paid up preference share capital of 4,500,000 shares of HK\$1 each.
- (v) On 21 November 2001, the Group acquired 100% interest in W.C.H. Limited, Wanchai Property Investment Limited and Supreme Goal Investments Limited for \$77,793,000, satisfied in cash. As a result, the Group's profit for the year and the net assets as at the year end have both been increased by \$2,069,000.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

16 INTEREST IN ASSOCIATES

| | The Group | | The Company | |
|-----------------------------|----------------|----------------|----------------|----------------|
| | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| Unlisted shares, at cost | — | — | 11,412 | 11,412 |
| Share of net assets | | | | |
| - Listed shares, Hong Kong | — | 68,009 | — | — |
| - Listed shares, overseas | 385,063 | 344,633 | — | — |
| - Unlisted | 36,729 | 33,063 | — | — |
| Goodwill | 7,338 | — | — | — |
| Amounts due from associates | 66,960 | 63,271 | 4 | — |
| | 496,090 | 508,976 | 11,416 | 11,412 |
| Less: Impairment loss | (68,519) | (75,345) | — | — |
| | 427,571 | 433,631 | 11,416 | 11,412 |

Details of the principal associates are as follows:

| Name of Company | Country of incorporation and operation | Issued and paid up ordinary share capital | Percentage held by the | | Principal activities |
|---|--|---|------------------------|-------|---|
| | | | Company | Group | |
| Benchmark Group PLC | United Kingdom | 97,450,240 shares of 62.5 pence each | — | 19 | Property investment and development |
| Camerlin (BVI) Limited | British Virgin Islands | 10 shares of US\$1 each | — | 22 | Investment holding |
| Camerlin Pte Ltd | Singapore | 100,000 shares of S\$1 each | — | 22 | Investment holding |
| Century Square Holding Pte Ltd | Mauritius | 100,000 shares of US\$1 each | — | 27 | Investment holding |
| Crawfom Pte Ltd | Singapore | 1,000,000 shares of S\$1 each | — | 22 | Property development |
| First Capital Property Ventures Pte Ltd | Singapore | 100 shares of S\$1 each | — | 19 | Investment holding |
| Guoman Hotel & Resort Holdings Sdn. Bhd | Malaysia | 277,000,000 shares of M\$1 each | 30 | — | Investment holding |
| Hong Leong Credit Berhad | Malaysia | 577,087,902 shares of M\$1 each | — | 23 | Financial services and property development |
| Razgrad Pte Ltd | Singapore | 1,000,000 shares of S\$1 each | — | 22 | Property development |
| Stockton Investments Pte Ltd | Singapore | 10,000 shares of S\$1 each | — | 22 | Investment holding |
| Tiara Investment Holdings Limited | Mauritius | 6,500,000 shares of US\$1 each | — | 22 | Investment holding |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

17 INTEREST IN JOINTLY CONTROLLED ENTITIES

| | The Group | |
|--|----------------|----------|
| | 2002 | 2001 |
| | \$'000 | \$'000 |
| Share of net assets - unlisted | (1,162) | (932) |
| Amounts due from jointly controlled entities | 69,416 | 72,409 |
| | 68,254 | 71,477 |
| Less: Impairment loss | (72,409) | (72,409) |
| | (4,155) | (932) |

Details of jointly controlled entities are as follows:

| Name of Company | Country of incorporation and operation | Issued and paid up ordinary share capital | Percentage held by the Group | Principal activities |
|-----------------------------------|--|---|------------------------------|----------------------|
| Bushell Limited | Hong Kong | 2 shares of HK\$1 each | 50 | Property development |
| Friends Ivory & Sime Asia Limited | Hong Kong | 1,003,100 shares of HK\$10 each | 50 | Fund management |
| Hillfield Trading Limited (Note) | British Virgin Islands | 2 shares of US\$1 each | 50 | Investment holding |
| Regal Trophy Limited (Note) | British Virgin Islands | 20 shares of US\$1 each | 25 | Investment holding |
| World Glory Properties Limited | Hong Kong | 2 shares of HK\$1 each | 25 | Property development |

Note: These companies are operating in Hong Kong.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

18 OTHER NON-CURRENT FINANCIAL ASSETS

| | The Group | | The Company | |
|--|----------------|----------------|----------------|----------------|
| | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| Investment securities | | | | |
| Equity securities | | | | |
| - Listed outside Hong Kong | 83,154 | 75,944 | — | — |
| - Unlisted | 5,765 | 6,435 | — | — |
| | <u>88,919</u> | <u>82,379</u> | <u>—</u> | <u>—</u> |
| Club and other debentures | 487 | — | 203 | — |
| | <u>89,406</u> | <u>82,379</u> | <u>203</u> | <u>—</u> |
| Market value of listed equity securities | <u>69,873</u> | <u>109,204</u> | <u>—</u> | <u>—</u> |

Certain listed investment securities with total carrying value of \$75.9 million (2001: \$66.3 million) were pledged with a bank to secure short-term bank loan facilities.

19 GOODWILL

| | The Group Negative goodwill \$'000 |
|---|---|
| Cost: | |
| At 1 July 2001 | — |
| Addition arising on acquisition of a subsidiary | (812) |
| At 30 June 2002 | <u>(812)</u> |
| Accumulated amortisation: | |
| At 1 July 2001 | — |
| Amortisation for the year | (81) |
| At 30 June 2002 | <u>(81)</u> |
| Carrying amount: | |
| At 30 June 2002 | <u>(731)</u> |
| At 30 June 2001 | <u>—</u> |

Negative goodwill is recognised as income on a straight-line basis over 10 years. The amortisation of negative goodwill for the year is included in "administrative expenses" in the consolidated income statement.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

20 DEVELOPMENT PROPERTIES

| | The Group | |
|--|----------------|----------------|
| | 2002 \$'000 | 2001 \$'000 |
| Cost as at 30 June | 795,357 | 976,725 |
| Less: Attributable loss | (28,793) | (33,551) |
| Less: Impairment loss | (137,560) | (108,892) |
| Less: Progress instalments received and receivable | (113,078) | (196,361) |
| | 515,926 | 637,921 |

The amount of development properties expected to be recovered after more than one year is \$372.8 million (2001: \$504.4 million).

The carrying amounts of development properties were written down based on their estimated selling prices.

Certain of the Group's development properties with an original book value of \$474.2 million (2001: \$647.3 million) are under legal mortgages with banks.

21 PROPERTIES HELD FOR SALE

| | The Group | |
|---------------------------------------|----------------|----------------|
| | 2002 \$'000 | 2001 \$'000 |
| As at 1 July | 75,347 | 101,685 |
| Disposals | (12,840) | (64,531) |
| | 62,507 | 37,154 |
| Less: Write back for foreseeable loss | 3,887 | 38,193 |
| As at 30 June | 66,394 | 75,347 |

22 OTHER ASSETS

| | The Group | | The Company | |
|------------------|----------------|----------------|----------------|----------------|
| | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| Accrued interest | 1,401 | 512 | 1,204 | 513 |
| Other accounts | 93,528 | 54,736 | 189 | 61 |
| | 94,929 | 55,248 | 1,393 | 574 |

Included in other assets of the Group and the Company are amounts of \$906,000 (2001: \$1,335,000) and \$Nil (2001: \$Nil) respectively which are expected to be recovered after more than one year.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

23 OTHER INVESTMENTS IN SECURITIES

| | The Group | |
|--|-----------|-----------|
| | 2002 | 2001 |
| | \$'000 | \$'000 |
| Debt securities | | |
| Listed | | |
| - In Hong Kong | 552 | 510 |
| - Outside Hong Kong | 33,624 | 1,850 |
| | <hr/> | <hr/> |
| | 34,176 | 2,360 |
| Unlisted | 6,493 | 13,495 |
| | <hr/> | <hr/> |
| | 40,669 | 15,855 |
| | <hr/> | <hr/> |
| Equity securities | | |
| Listed | | |
| - In Hong Kong | 68,432 | 21,795 |
| - Outside Hong Kong (Note (a)) | 154,224 | 149,466 |
| | <hr/> | <hr/> |
| | 222,656 | 171,261 |
| Unlisted (Note (b)) | 1,330,040 | 1,219,259 |
| | <hr/> | <hr/> |
| | 1,552,696 | 1,390,520 |
| | <hr/> | <hr/> |
| | 1,593,365 | 1,406,375 |
| | <hr/> | <hr/> |
| Market value of other listed investments in securities | | |
| - Debt securities | 34,176 | 2,360 |
| - Equity securities | 222,656 | 171,261 |
| | <hr/> | <hr/> |
| | 256,832 | 173,621 |
| | <hr/> | <hr/> |

Notes:

- (a) Certain equity securities with total carrying value of \$67.1 million (2001: \$75.4 million) were pledged with a bank to secure short-term bank loan facilities.
- (b) It mainly represents \$1,328 million (2001: \$1,219 million) of equity investment in DBS Diamond Holdings Limited received on the disposal of a former subsidiary.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

24 OTHER PAYABLES AND PROVISION

| | The Group | | The Company | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| Other payables and provision | 141,903 | 209,288 | 9,138 | 40,760 |
| Amounts due to associates | 32 | 24 | — | — |
| | 141,935 | 209,312 | 9,138 | 40,760 |

Included in other payables of the Group and the Company are amounts of \$4,957,000 (2001: \$11,370,000) and \$1,424,000 (2001: \$7,669,000) respectively which are expected to be settled after more than one year.

25 CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

At 30 June 2002, the current portion of bank loans and other borrowings are as follows:

| | The Group | | The Company | |
|--|----------------|----------------|----------------|----------------|
| | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| Bank loans | | | | |
| - secured (Note) | 181,289 | 134,731 | — | — |
| - unsecured | 92,645 | 302,156 | — | 14,914 |
| | 273,934 | 436,887 | — | 14,914 |
| Unsecured floating rate notes | — | 180,000 | — | — |
| Unsecured long term notes and bonds repayable within 1 year | 76,295 | 82,281 | — | — |
| | 350,229 | 699,168 | — | 14,914 |

Note:

The bank loans are secured by the following:

- legal mortgages on investment properties (Note 14);
- legal mortgages on development properties (Note 20);
- certain listed investment securities (Note 18); and
- certain other investments in securities (Note 23).

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

26 NON-CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

| | The Group | |
|-------------------------------|-----------------------|-----------------------|
| | 2002 \$'000 | 2001 \$'000 |
| Bank loans | | |
| - secured (Note 25) | 239,127 | 365,360 |
| - unsecured | 115,745 | 151,720 |
| | <u>354,872</u> | <u>517,080</u> |
| Long term notes and bonds | | |
| - Unsecured medium term notes | 89,172 | 95,995 |
| - Unsecured fixed rate bonds | — | 27,427 |
| | <u>89,172</u> | <u>123,422</u> |
| | <u><u>444,044</u></u> | <u><u>640,502</u></u> |

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

| | The Group | | | | | |
|----------------------------------|-----------------------|---------------------------------------|-----------------------|-----------------------|---------------------------------------|-------------------------|
| | Bank loans \$'000 | 2002 Other borrowings \$'000 | Total \$'000 | Bank loans \$'000 | 2001 Other borrowings \$'000 | Total \$'000 |
| On demand or within 1 year | <u>273,934</u> | <u>76,295</u> | <u>350,229</u> | 436,887 | 262,281 | 699,168 |
| After 1 year but within 2 years | 277,708 | 62,160 | 339,868 | 237,776 | 63,082 | 300,858 |
| After 2 years but within 5 years | <u>77,164</u> | <u>27,012</u> | <u>104,176</u> | 279,304 | 60,340 | 339,644 |
| | <u>354,872</u> | <u>89,172</u> | <u>444,044</u> | 517,080 | 123,422 | 640,502 |
| | <u><u>628,806</u></u> | <u><u>165,467</u></u> | <u><u>794,273</u></u> | <u><u>953,967</u></u> | <u><u>385,703</u></u> | <u><u>1,339,670</u></u> |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

27 DEFERRED TAXATION

| | The Group | | The Company | |
|--|----------------|----------------|----------------|----------------|
| | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| As at 1 July | 7,017 | 2,027 | — | — |
| Amount charged during the year (Note 7(a)) | 5,832 | 5,003 | 2,564 | — |
| Exchange adjustments | 23 | (13) | — | — |
| As at 30 June | <u>12,872</u> | <u>7,017</u> | <u>2,564</u> | <u>—</u> |

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

| | The Group | |
|---|----------------|----------------|
| | 2002 \$'000 | 2001 \$'000 |
| Depreciation allowances in excess of depreciation charges | (150) | (219) |
| Tax losses | 31,554 | 54,893 |
| Provision for foreseeable loss | 32,149 | 21,379 |
| | <u>63,553</u> | <u>76,053</u> |

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

28 MINORITY INTERESTS

Minority interests include the interests of preference shareholders in subsidiaries of \$5,440,000 (2001: \$4,177,000).

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

29 SHARE CAPITAL

| | The Group and the Company | | | |
|---|----------------------------------|----------------|----------------------------------|----------------|
| | 2002 No. of shares '000 | 2002 \$'000 | 2001 No. of shares '000 | 2001 \$'000 |
| Authorised: | | | | |
| Ordinary shares of US\$0.50 each | <u>1,000,000</u> | <u>500,000</u> | <u>1,000,000</u> | <u>500,000</u> |
| Issued and fully paid: | | | | |
| As at 1 July | 427,091 | 213,546 | 426,631 | 213,316 |
| Shares issued under Share Option Scheme | 3,990 | 1,995 | 460 | 230 |
| Share repurchase | (107,000) | (53,500) | — | — |
| As at 30 June | <u>324,081</u> | <u>162,041</u> | <u>427,091</u> | <u>213,546</u> |

On 26 November 2001, the Company repurchased a total of 106,999,713 shares of US\$0.50 each of the Company pursuant to a conditional cash offer by the Company at the purchase price of HK\$50 per share.

The repurchased shares were cancelled by the Company and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The difference between the consideration paid and nominal value of the cancelled shares were charged to share premium, contribution surplus, general reserve and retained profits.

Share Option Scheme

An Executive Share Option Scheme ("Scheme") was adopted by the Company on 30 July 1991 under which eligible employees including directors of the Group are entitled to the grant of share options for subscription of shares in the Company. Options were granted in respect of a total of 9,800,000 ordinary shares under the Scheme to various directors and executives of the Group. Such options are exercisable at the subscription price of HK\$20.33 per share during the period from 12 November 1999 to 12 February 2004.

During the year, share options were exercised to subscribe for 3,990,000 shares (2001: 460,000 shares) in the Company at a consideration net of charges of \$10,400,000 (2001: \$1,200,000) of which \$1,995,000 (2001: \$230,000) was credited to share capital and the balance of \$8,405,000 (2001: \$970,000) was credited to the share premium account. Pursuant to the rules of the Scheme, a total of 60,000 share options were lapsed during the year. At 30 June 2002, 5,090,000 share options were outstanding (2001: 9,140,000 share options).

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

30 RESERVES

(a) The Group

| | Share premium \$'000 | Investment property revaluation reserve \$'000 | Other property revaluation reserve \$'000 | Capital and other reserves \$'000 | Contributed surplus \$'000 | General reserve \$'000 | Exchange translation reserve \$'000 | Retained profits \$'000 | Total \$'000 |
|---|----------------------------|--|---|--|----------------------------------|------------------------------|--|-------------------------------|-----------------|
| At 1 July 2001 | 236,092 | 26,398 | — | 45,861 | 18,417 | 77,042 | 6,016 | 3,493,456 | 3,903,282 |
| Shares issued under Share Option Scheme | 8,405 | — | — | — | — | — | — | — | 8,405 |
| Shares repurchased and cancelled | (244,497) | — | — | — | (14,439) | (77,042) | — | (300,180) | (636,158) |
| Deficit arising on revaluation of investment properties from | | | | | | | | | |
| - subsidiaries | — | (28,882) | — | — | — | — | — | — | (28,882) |
| - an associate | — | (866) | — | — | — | — | — | — | (866) |
| Reserve realised on disposal by | | | | | | | | | |
| - subsidiaries | — | 6,397 | — | — | — | — | — | — | 6,397 |
| - an associate | — | (5,322) | — | — | — | — | — | — | (5,322) |
| Excess deficit arising on revaluation of investment properties charged to consolidated income statement | — | 1,452 | — | — | — | — | — | — | 1,452 |
| Transfer between reserves | — | — | — | 11,236 | — | — | — | (11,236) | — |
| Share of subsidiaries' and associates' capital reserves movement | — | — | — | 1,295 | — | — | — | — | 1,295 |
| Exchange differences on translation of the financial statements of foreign subsidiaries and associates | — | 823 | — | 445 | — | — | 3,720 | — | 4,988 |
| Retained profit for the year | — | — | — | — | — | — | — | 161,098 | 161,098 |
| At 30 June 2002 | — | — | — | 58,837 | 3,978 | — | 9,736 | 3,343,138 | 3,415,689 |
| Retained in: | | | | | | | | | |
| - Company and subsidiaries | | | | | | | | | 3,397,259 |
| - Associates | | | | | | | | | 34,156 |
| - Jointly controlled entities | | | | | | | | | (15,726) |
| | | | | | | | | | 3,415,689 |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

30 RESERVES (CONT'D)

(a) The Group (CONT'D)

| | Share premium \$'000 | Investment property revaluation reserve \$'000 | Other property revaluation reserve \$'000 | Capital and other reserves \$'000 | Contributed surplus \$'000 | General reserve \$'000 | Exchange translation reserve \$'000 | Retained profits \$'000 | Total \$'000 |
|--|----------------------------|--|---|--|----------------------------------|------------------------------|--|-------------------------------|------------------|
| At 1 July 2000 | 235,122 | 25,429 | 42,909 | 166,070 | 36,121 | 131,929 | (178,428) | 817,310 | 1,276,462 |
| Shares issued under Share Option Scheme | 970 | — | — | — | — | — | — | — | 970 |
| Surplus/(deficit) arising on revaluation of investment properties from | | | | | | | | | |
| - subsidiaries | — | (3,491) | — | — | — | — | — | — | (3,491) |
| - an associate | — | 10,891 | — | — | — | — | — | — | 10,891 |
| Reserves realised on disposal of a subsidiary | — | — | (41,108) | (145,066) | (17,704) | (54,887) | 21,640 | — | (237,125) |
| Reserve realised on disposal by an associate | — | (4,850) | — | — | — | — | — | — | (4,850) |
| Write back of revaluation surplus of associates | — | — | (1,771) | — | — | — | — | — | (1,771) |
| Share of subsidiaries' and associates' capital reserves movement | — | — | — | (6,119) | — | — | — | — | (6,119) |
| Transfer of net dilution loss to consolidated income statement | — | — | — | 22,488 | — | — | — | — | 22,488 |
| Transfer between reserves | — | — | — | 9,072 | — | — | — | (9,072) | — |
| Exchange differences on translation of the financial statements of foreign subsidiaries and associates | — | (1,581) | (30) | (584) | — | — | (20,505) | — | (22,700) |
| Exchange difference on investments in subsidiaries and associates written off | — | — | — | — | — | — | 183,309 | — | 183,309 |
| Retained profit for the year | — | — | — | — | — | — | — | 2,685,218 | 2,685,218 |
| At 30 June 2001 | <u>236,092</u> | <u>26,398</u> | <u>—</u> | <u>45,861</u> | <u>18,417</u> | <u>77,042</u> | <u>6,016</u> | <u>3,493,456</u> | <u>3,903,282</u> |
| Retained in: | | | | | | | | | |
| - Company and subsidiaries | | | | | | | | | 3,864,279 |
| - Associates | | | | | | | | | 39,601 |
| - Jointly controlled entities | | | | | | | | | (598) |
| | | | | | | | | | <u>3,903,282</u> |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

30 RESERVES (CONT'D)

(b) The Company

| | Share premium \$'000 | Contributed surplus \$'000 | General reserve \$'000 | Exchange translation reserve \$'000 | Retained profits \$'000 | Total \$'000 |
|--|----------------------------|----------------------------------|------------------------------|--|-------------------------------|-----------------|
| At 1 July 2001 | 236,092 | 14,439 | 77,042 | — | 3,387,314 | 3,714,887 |
| Shares issued under Share Option Scheme | 8,405 | — | — | — | — | 8,405 |
| Shares repurchased and cancelled | (244,497) | (14,439) | (77,042) | — | (300,180) | (636,158) |
| Exchange differences on translation of the financial statements of foreign subsidiaries and associates | — | — | — | 2,320 | — | 2,320 |
| Retained profit for the year | — | — | — | — | 33,582 | 33,582 |
| At 30 June 2002 | — | — | — | 2,320 | 3,120,716 | 3,123,036 |
| At 1 July 2000 | 235,122 | 14,439 | 77,042 | 6,744 | 72,129 | 405,476 |
| Shares issued under Share Option Scheme | 970 | — | — | — | — | 970 |
| Exchange differences on translation of the financial statements of foreign subsidiaries and associates | — | — | — | (6,744) | — | (6,744) |
| Retained profit for the year | — | — | — | — | 3,315,185 | 3,315,185 |
| At 30 June 2001 | 236,092 | 14,439 | 77,042 | — | 3,387,314 | 3,714,887 |

Notes:

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

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

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

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

- (iii) The capital and other reserves, the exchange translation reserve, the investment property revaluation reserve and the other property revaluation reserve have been set up and will be dealt with in accordance with the accounting policies adopted for foreign currency translation and the revaluation of investment properties and land and buildings held for own use.

- (iv) Distributable reserves of the Company as at 30 June 2002 amounted to \$3,123,036,000 (2001: \$3,478,795,000).

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

31 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit on ordinary activities to net cash inflow from operating activities

| | The Group | |
|--|------------------|----------------|
| | 2002 \$'000 | 2001 \$'000 |
| Operating profit on ordinary activities | 138,463 | 2,790,398 |
| Finance cost for non-banking operations | 20,992 | 57,295 |
| Interest income | (60,863) | (7,675) |
| Dividend income | (23,184) | (6,225) |
| Depreciation | 2,501 | 32,681 |
| Provision for bad and doubtful loans and advances | — | 65,013 |
| Advances written off net of recoveries | — | (54,674) |
| Amortisation of goodwill | 364 | 3,260 |
| Impairment loss on properties | 69,267 | 6,540 |
| Provision for investments in subsidiaries, associates and jointly controlled entities | — | 325,485 |
| Profit on disposal of subsidiaries | — | (2,901,384) |
| Net loss on disposal of investment properties | 13,438 | — |
| Net profit on disposal of fixed assets | (144) | (2,022) |
| Deficit on revaluation of investment properties | 1,452 | — |
| Profit on disposal of an associate | (13,503) | — |
| Gain on disposal of investment securities | — | (7,770) |
| Amortisation of discount of held-to-maturity securities and investment securities | — | (56,188) |
| Net cash inflow from trading activities | 148,783 | 244,734 |
| Decrease/(increase) in advances to customers and other accounts | 8,955 | (597,447) |
| Decrease in certificates of deposit | — | 22,593 |
| Increase in other investments in securities | (181,175) | (121,489) |
| Increase in trade bills | — | (1,805) |
| Decrease in development properties | 95,358 | 40,293 |
| Decrease in properties held for sale | 12,840 | 51,042 |
| (Decrease)/increase in other payables and provision | (62,384) | 775,794 |
| Increase in insurance funds | 278 | 102 |
| Increase in current, fixed, savings and other deposits | — | 540,392 |
| Increase in deposits and balances of other banks | — | 137,736 |
| Net cash inflow from operating activities | 22,655 | 1,091,945 |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

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

(b) Analysis of changes in financing during the year

| | The Group | | | | | Total \$'000 |
|---|--------------------------------------|------------------------------------|-------------------------------|-----------------------------------|---|-----------------|
| | Certificates of deposit \$'000 | Short term bank loans \$'000 | Other borrowings \$'000 | Long term bank loans \$'000 | Long term notes and bonds \$'000 | |
| Balance as at 1 July 2001 | — | 436,887 | 262,281 | 517,080 | 123,422 | 1,339,670 |
| Cash flows from financing | — | (227,185) | (188,341) | (120,730) | (37,558) | (573,814) |
| Transfer | — | 55,840 | — | (55,840) | — | — |
| Effect of foreign exchange difference | — | 8,392 | 2,355 | 14,362 | 3,308 | 28,417 |
| Balance as at 30 June 2002 | — | 273,934 | 76,295 | 354,872 | 89,172 | 794,273 |
| Balance as at 1 July 2000 | 905,747 | 71,187 | 118,986 | 732,912 | 582,913 | 2,411,745 |
| Redemption of certificates of deposit | (389,472) | — | — | — | — | (389,472) |
| Issuance of certificates of deposit | 308,920 | — | — | — | — | 308,920 |
| Cash flows from financing | — | 188,755 | (117,155) | (17,471) | 71,311 | 125,440 |
| Transfer | — | 180,000 | 262,281 | (180,000) | (262,281) | — |
| Relating to disposal of subsidiary | (824,718) | — | — | — | (261,620) | (1,086,338) |
| Effect of foreign exchange difference | (477) | (3,055) | (1,831) | (18,361) | (6,901) | (30,625) |
| Balance as at 30 June 2001 | — | 436,887 | 262,281 | 517,080 | 123,422 | 1,339,670 |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

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

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

| | The Group | |
|---------------------------|-----------|-----------|
| | 2002 | 2001 |
| | \$'000 | \$'000 |
| Cash and short term funds | 1,713,480 | 2,993,808 |

(d) Acquisition of subsidiaries

| | The Group 2002 \$'000 |
|------------------------------|-----------------------------|
| Net assets acquired: | |
| Investment properties | 55,667 |
| Fixed assets | 16,422 |
| Other assets | 2,967 |
| Cash at bank and in hand | 5,143 |
| Other payables and provision | (1,228) |
| Taxation | (49) |
| Minority interests | (1,154) |
| Exchange translation reserve | 25 |
| | 77,793 |
| Satisfied by: | |
| Cash paid | 77,793 |

Subsidiaries acquired during the year contributed \$2,069,000 to the Group's net operating cash flows and received \$61,000 in respect of the net returns on investments and servicing of finance.

(e) Analysis of net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries

| | \$'000 |
|--|---------|
| Cash consideration | 77,793 |
| Cash at bank and in hand acquired | (5,143) |
| | 72,650 |
| Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries | |

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

32 STAFF RETIREMENT SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") which has been established under the Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance in December 2000. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the Group's contribution is 10 percent of employees' monthly salaries and is expensed as incurred.

The amount charged to the consolidated income statement in respect of this scheme was \$921,000 (2001: \$2,729,000) after netting off forfeited contribution of \$Nil (2001: \$6,223,000).

33 POST BALANCE SHEET EVENTS

- a. On 22 March 2002, First Capital Corporation Ltd ("FCC") entered into a Heads of Agreement with Fairfax Financial Holdings Limited ("Fairfax") with a view to entering into a proposed Sale and Purchase Agreement ("SPA") for the sale of FCC group's 97.7% interest in its insurance business. The SPA was signed on 29 August 2002. The divestment will be effected in 3 tranches and the total cash proceeds, also to be paid in 3 tranches, are estimated at \$32 million. The first tranche comprising the FCC group's interest of approximately 56% in its insurance business will be divested on completion of the SPA. The remaining 41.7% is subject to put options to be granted by Fairfax to FCC. The two put options in respect of the FCC group's 24% and 17.7% interest in its insurance business are exercisable by FCC at any time during a 30-day period after the first and second anniversaries of the date of the SPA respectively. The loss arising from this divestment is immaterial.
- b. On 28 June 2002, the Company entered into separate conditional sale and purchase agreements with FCC for each of the following transactions:
 - i. proposed purchase of 16,994,000 ordinary shares of S\$1.00 each in Overseas Union Enterprise Limited ("OUE") for a cash consideration of approximately \$67 million;
 - ii. proposed disposal of 11,000,000 ordinary shares of US\$1.00 each in Guoco Properties Limited ("GPL") representing 55% of the issued share capital of GPL and shareholders' loans owing by GPL for an aggregate purchase consideration of approximately \$76.2 million; and
 - iii. proposed disposal of 83,100,000 ordinary shares of RM1.00 each in Guoman Hotel & Resort Holdings Sdn Bhd ("GHRH") representing 30% of the issued share capital of GHRH and shareholders' loan owing by GHRH for an aggregate purchase consideration of approximately \$12 million.

The transactions had been approved by the Singapore Exchange Securities Trading Limited and the shareholders of FCC in the general meeting held on 7 October 2002. The acquisition of the interest in OUE had been completed on 9 October 2002. The disposal transactions of interests in GPL and GHRH are expected to be completed by end of December 2002.

34 CONTINGENT LIABILITIES

As at 30 June 2002, there were contingent liabilities in respect of guarantees given to bankers by the Group and the Company to secure banking facilities to the extent of \$41,590,000 (2001: \$41,087,000) and \$21,154,000 (2001: \$381,155,000) respectively granted to group companies and certain investee companies of the Group.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

35 COMMITMENTS

Operating lease arrangements

(i) *As lessee*

As at 30 June 2002, the total future minimum lease payments under non-cancellable operating lease are payable as follows:

| | The Group | |
|---------------------------------|------------------|--------|
| | 2002 | 2001 |
| | \$'000 | \$'000 |
| Within 1 year | 1,800 | 1,257 |
| After 1 year but within 5 years | 1,896 | 889 |
| | 3,696 | 2,146 |

The Group leases a property under an operating lease. The lease runs for an initial period of three years.

(ii) *As lessor*

As at 30 June 2002, the total future minimum lease payments under non-cancellable operating lease are receivable as follows:

| | The Group | |
|---------------------------------|------------------|--------|
| | 2002 | 2001 |
| | \$'000 | \$'000 |
| Within 1 year | 2,769 | — |
| After 1 year but within 5 years | 1,558 | — |
| | 4,327 | — |

There were also commitments in respect of foreign currency contracts, currency option and forward rate agreements relating to the normal operations as at 30 June 2002.

NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

36 MATERIAL RELATED PARTY TRANSACTIONS

(a) Banking transactions

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

During the year, the Company and its subsidiaries entered into a number of transactions in the normal course of business with companies in the HLCM group including deposit and correspondent banking transactions. The transactions were priced based on the relevant market rates at the time of each transaction, and were under the same terms as those available to the independent counterparties and customers.

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

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

| | The Group | |
|-----------------|--------------|------------|
| | 2002 | 2001 |
| | \$'000 | \$'000 |
| Interest income | <u>1,318</u> | <u>225</u> |

(ii) *Balance as at 30 June*

| | The Group | |
|--|---------------|---------------|
| | 2002 | 2001 |
| | \$'000 | \$'000 |
| Current, fixed, savings and other deposit of customers | <u>94,662</u> | <u>12,145</u> |
| Cash and short term funds | <u>1,394</u> | <u>3</u> |

(b) Management fee

On 21 August 2001, the Company entered into a management services agreement, determinable by either party giving six months' notice, with Hong Leong Overseas (H.K.) Limited ("HLO"), a subsidiary of the Company's substantial shareholder, for provision of general management services to the Group by HLO. The agreement replaced the previous services agreements between HLO and certain operating subsidiaries of the Group. Total management fees paid and payable to HLO for the year ended 30 June 2002 amounted to \$5.9 million (2001: \$7.5 million).

(c) Mandatory Provident Fund Scheme

The Group maintains a Mandatory Provident Fund Scheme in which the investment manager and the service provider is a subsidiary of the Company. During the year ended 30 June 2002, the Group made a total contribution of \$0.9 million to the scheme (2001: \$8.9 million).

37 HONG KONG DOLLAR AMOUNTS

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