

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(t) Current and non-current assets and liabilities

Assets and liabilities which are expected to be recovered or settled within twelve months from the balance sheet date are classified as current assets and current liabilities. All other assets and liabilities are classified as non-current.

3. DISCONTINUED OPERATIONS

On 29 June 2001, the Group disposed of its entire interest in a 71.2% subsidiary group, Dao Heng Bank Group Limited ("DHBG"). As a result of the disposal, the Group received \$2,747 million (approximately HK\$21,429 million) in cash and a 20% interest in DBS Diamond Holdings Limited ("DBS Diamond") which is subject to a put and call option for a cash consideration of \$1,382 million (approximately HK\$10,782 million). The option is exercisable within seven days following 31 December 2002. The investment in DBS Diamond is stated in the accounts at the fair value of the future receipt of the option proceeds due in January 2003. The principal activities of DHBG and its subsidiaries are the provision of banking and related financial services. As a result of this disposal, the Group's business related to the provision of banking and related financial services in relation to DHBG was discontinued. The results of the activities and operations carried by DHBG and its subsidiaries have been included in the Group's consolidated profit and loss account for the year ended 30 June 2001 up to the date of disposal of 29 June 2001 and together with the comparative figures have been separately disclosed as results from discontinued operations. The assets and liabilities of DHBG and its subsidiaries at 29 June 2001, and the related reserves were accounted for in the profit and loss account in determining the net gain on disposal of \$2,901 million (approximately HK\$22,630 million).

4. CHANGE OF ACCOUNTING POLICIES

- (a) Proposed dividends which were subject to shareholders' approval were previously treated as post balance sheet adjusting events, thus were accrued as a liability in the Group's and the Company's balance sheets at the balance sheet date and as income in the Company's profit and loss account for dividends by subsidiaries. On adoption of SSAP 9, a proposed dividend is not so accrued until shareholders' approval is obtained. This change in accounting policy has been applied retrospectively. As a result, the Group's retained profit for the years ended 30 June 2000 and 2001 increased by \$2.6 million and \$2.8 million respectively. The Company's retained profit for the years ended 30 June 2000 and 2001 decreased by \$16.8 million and increased by \$67.1 million respectively. The proposed final dividend of \$30.1 million appearing in the Group's and Company's balance sheets and the final dividend receivable of \$64.3 million appearing in the Company's balance sheet as at 30 June 2000 were reclassified as items in shareholders' funds. Prior year adjustments on the opening balances of retained earnings of the Group and the Company were put through accordingly.
- (b) Goodwill arising on acquisition of subsidiaries and associates was previously eliminated against capital and other reserves. Subsequent to the adoption of SSAP 30, goodwill is capitalised and amortised on a straight line basis over its estimated useful life not exceeding 20 years. Any impairment loss identified will be recognised as an expense in the profit and loss account immediately.

The requirements of SSAP 30 are applied retrospectively. Goodwill previously eliminated against capital and other reserves is restated, resulting in additional amortisation of goodwill of \$8.2 million and \$3.3 million for the years ended 30 June 2000 and 2001 respectively. The opening balances of retained earnings brought forward as at 1 July 2000 and 2001 are reduced by \$82.9 million and \$91.1 million respectively, representing amortisation of goodwill which should have been made if the goodwill previously eliminated against capital and other reserves were instead capitalised on the date of acquisition and amortised on a straight line basis over its estimated useful life.

5. SEGMENTAL INFORMATION

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

(a) By principal activities:

	Group turnover		Operating profit/(loss)	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000 Restated
Property development and investment	178,653	112,895	20,356	19,351
Treasury and investment management	29,091	22,973	25,046	(11,234)
Insurance	21,798	20,901	2,592	6,601
Stockbroking	11,804	16,230	1,020	9,635
	<u>241,346</u>	<u>172,999</u>	<u>49,014</u>	<u>24,353</u>
Less: Finance cost for non-banking operations			<u>(57,295)</u>	<u>(51,222)</u>
			<u>(8,281)</u>	<u>(26,869)</u>
Banking and financing (discontinued operations)	<u>1,284,623</u>	<u>1,221,398</u>	<u>229,320</u>	<u>251,776</u>
	<u><u>1,525,969</u></u>	<u><u>1,394,397</u></u>	<u><u>221,039</u></u>	<u><u>224,907</u></u>

(b) By geographical location of operations:

	Group turnover		Operating profit/(loss)	
	2001	2000	2001	2000
Hong Kong	83%	87%	91%	99%
Asia (excluding Hong Kong)	15%	11%	8%	–
Others	2%	2%	1%	1%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

6. TURNOVER

The principal activity of the Company is investment holding and those of its subsidiaries are set out on pages 64 to 70.

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

	The Group	
	2001	2000
	\$'000	\$'000
Continuing operations		
Income from sale of properties	158,374	93,682
Gross insurance premiums	21,798	20,901
Rental income from properties	20,279	19,213
Securities commission, brokerage and other income	16,162	18,577
Income from sale of investments in securities	11,306	11,399
Interest income from non-banking operations	7,202	7,589
Dividend income from listed securities	6,225	1,638
	241,346	172,999

Discontinued operations		
Interest income from banking operations	1,135,993	1,108,369
Other income from banking operations	148,630	113,029
	1,284,623	1,221,398

	1,525,969	1,394,397
	=====	=====

7. INCOME

(a) Other revenue

	The Group	
	2001 \$'000	2000 \$'000
Dividend income from unlisted securities	–	102
Interest income from listed securities	473	1,151
Others	1,654	1,027
	<u>2,127</u>	<u>2,280</u>

(b) Other net income/(loss)

	The Group	
	2001 \$'000	2000 \$'000
Net unrealised gains/(losses) on other investments	18,415	(9,975)
Net profits/(losses) on disposal of fixed assets	2,022	(4,347)
Gains/(losses) on foreign exchange dealing	1,494	(871)
Net realised gains on other investments	1,365	11,065
Net profits from dealing investments	147	239
Net realised gains on investment securities	–	2,295
Provision on held-to-maturity securities and investment securities	–	(1,171)
Net exchange (losses)/gains	(848)	832
Others	(5,788)	(5,227)
	<u>16,807</u>	<u>(7,160)</u>

Notes on the Accounts

8. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	The Group	
	2001 \$'000	2000 \$'000
after charging:		
Staff costs (including retirement scheme contributions of \$2,729,000 (2000: \$7,829,000))	138,649	137,596
Depreciation	32,681	24,652
Operating lease charges		
– properties	8,403	6,218
– others	18	21
Amortisation of goodwill	3,260	8,185
Auditors' remuneration	899	989
Donations	188	161
	<u>138,649</u>	<u>137,596</u>
and crediting:		
Gross rental income from investment properties	20,279	19,213
Less: direct outgoings	(1,304)	(952)
	<u>18,975</u>	<u>18,261</u>
Net rental income		
	<u>18,975</u>	<u>18,261</u>
Share of profits less losses of associates:		
Listed	27,869	14,181
Unlisted	(22,755)	(14,558)
	<u>5,114</u>	<u>(377)</u>

9. FINANCE COST FOR NON-BANKING OPERATIONS

	The Group	
	2001 \$'000	2000 \$'000
Interest on bank advances and other borrowings repayable within five years	83,967	61,878
Other borrowing costs	1,398	1,923
	<u>85,365</u>	<u>63,801</u>
Total borrowing costs		
Less: borrowing costs capitalised into development properties	(28,070)	(12,579)
	<u>57,295</u>	<u>51,222</u>

Notes:

- (i) This excludes the interest expenses of the banking operations.
- (ii) The borrowing costs have been capitalised at a rate of 3.2% - 8.02% per annum for development properties (2000: 2.93% - 6.13%).

10. TAXATION

(a) Taxation in the consolidated profit and loss account represents:

	The Group	
	2001 \$'000	2000 \$'000
Hong Kong Profits Tax	24,221	34,624
Overseas taxation	5,610	7,462
Deferred taxation (Note 31)	5,003	(4,881)
	<u>34,834</u>	<u>37,205</u>
Share of associates' taxation	12,203	11,679
Share of jointly controlled entities' taxation	1,135	681
	<u>48,172</u>	<u>49,565</u>

Provision for Hong Kong Profits Tax is based on the estimated assessable profits for the year at the rate of 16% (2000: 16%). Taxation for overseas subsidiaries is charged at the appropriate rates of taxation ruling in the countries in which they operate.

(b) Taxation in the balance sheet represents:

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Hong Kong Profits Tax	1,780	20,813	27	27
Overseas taxation	11,387	23,087	-	-
	<u>13,167</u>	<u>43,900</u>	<u>27</u>	<u>27</u>
Taxation payable				
Amount of taxation payable expected to be settled after more than 1 year	<u>571</u>	<u>3,152</u>	<u>-</u>	<u>-</u>

11. DIRECTORS' REMUNERATION

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

	The Group	
	2001	2000
	\$'000	\$'000
Fees	362	286
Salaries, allowances and benefits in kind	1,685	1,800
Discretionary bonuses	24,141	665
Pension contributions	94	101
	26,282	2,852

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

	The Group	
	2001	2000
	\$'000	\$'000
Fees	145	100
Salaries, allowances and benefits in kind	8	–
	153	100

In addition to the above emoluments, certain directors were granted share options under the Company's and a former subsidiary's share option schemes. The details of these benefits in kind are disclosed under the paragraph "Directors' interests in securities" in the directors' report.

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

\$	The Group	
	2001	2000
	Number of directors	Number of directors
0 – 150,000	6	5
150,001 – 200,000	1	1
450,001 – 500,000	–	1
650,001 – 700,000	1	–
800,001 – 850,000	–	1
850,001 – 900,000	1	–
1,150,001 – 1,200,000	–	1
24,250,001 – 24,300,000	1	–
	10	9

12. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Among the five highest paid individuals of the Group, three (2000: two) are directors whose remuneration is disclosed in Note 11. The remuneration of the other two (2000: three) individuals is as follows:

	The Group	
	2001 \$'000	2000 \$'000
Salaries, allowances and benefits in kind	725	1,024
Discretionary bonuses	3,680	927
Pension contributions	48	29
	4,453	1,980

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

\$	The Group	
	2001 Number of individuals	2000 Number of individuals
550,001 – 600,000	–	2
800,001 – 850,000	–	1
1,350,001 – 1,400,000	1	–
3,050,001 – 3,100,000	1	–
	2	3

13. LOANS TO OFFICERS

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

	The Group			
	Aggregate amount of relevant loans outstanding at 30 June		Maximum aggregate amount of relevant loans outstanding during the year	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Relevant loans made by a former subsidiary bank	–	177	1,995	646

14. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group profit attributable to shareholders includes a profit of \$3,356,226,000 (2000 as restated: \$39,579,000) which has been dealt with in the accounts of the Company.