

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants.

The information in this interim report is unaudited and does not constitute statutory accounts. The financial information relating to the financial year ended 30 June 2001, included in the interim financial report is extracted from the Company’s statutory accounts. Statutory accounts for the year ended 30 June 2001 can be obtained on request at the Group Company Secretariat, 50/F The Center, 99 Queen’s Road Central, Hong Kong, or from the Company’s website www.guoco.com. The auditors have expressed an unqualified opinion on those accounts in their report dated 12 October 2001.

2. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and land and buildings, and marking to market of certain investments.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2001, except as described below.

Segment reporting

In the current period, the Group has adopted, for the first time, a new SSAP 26 “Segment reporting” and has changed the basis of identifying reportable segments. Segment disclosures for the six months ended 31 December 2000 have been amended so that they are presented on a consistent basis.

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:

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

ii. Geographical Segments

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

3. SEGMENT INFORMATION

Business segments

	Turnover Six months ended 31 December		Segment results Six months ended 31 December	
	2001 (Unaudited) US\$'000	2000 (Unaudited) US\$'000	2001 (Unaudited) US\$'000	2000 (Unaudited) US\$'000 Restated
Continuing operations				
Property development	65,102	61,171	(18,022)	(231)
Property investment	11,434	12,028	8,572	7,390
Insurance	11,416	10,016	80	(221)
Securities, commodities & brokerage	4,645	6,408	110	1,570
Treasury, fund and investment management	50,527	13,181	62,108	20,315
	143,124	102,804	52,848	28,823
Discontinued operations				
Banking and financing	–	687,856	–	139,263
	143,124	790,660	52,848	168,086
Unallocated income			301	725
Unallocated expenses			(685)	(2,659)
Operating profit before finance cost			52,464	166,152

3. SEGMENT INFORMATION (CONT'D)

Geographical segments

	Turnover Six months ended 31 December		Segment results Six months ended 31 December	
	2001 (Unaudited) US\$'000	2000 (Unaudited) US\$'000	2001 (Unaudited) US\$'000	2000 (Unaudited) US\$'000 Restated
Continuing operations				
Hong Kong	60,991	12,810	96,820	2,178
Asia (excluding Hong Kong)	81,663	89,432	(43,967)	26,653
Others	470	562	(5)	(8)
	143,124	102,804	52,848	28,823
Discontinued operations				
Hong Kong	–	662,248	–	138,969
Asia (excluding Hong Kong)	–	10,934	–	(912)
Others	–	14,674	–	1,206
	–	687,856	–	139,263
	143,124	790,660	52,848	168,086
Unallocated income			301	725
Unallocated expenses			(685)	(2,659)
Operating profit before finance cost			52,464	166,152

4. INCOME

(a) Other revenue

	Six months ended 31 December	
	2001 (Unaudited) US\$'000	2000 (Unaudited) US\$'000
Interest income from listed securities	295	501
Others	224	553
	519	1,054

(b) Other net income

	Six months ended 31 December	
	2001 (Unaudited) US\$'000	2000 (Unaudited) US\$'000
Net profits from dealing investments	304	3
Gain / (loss) on disposal of fixed assets	45	(89)
Written back of provision on held-to-maturity securities and investment securities	–	66
Net realised gains on other investments	54,135	1,132
Net unrealised (losses) / gains on other investments	(22,598)	5,076
Gain on foreign exchange dealing	1,494	383
Net exchange (losses) / gains	(509)	4,952
Unrealised losses on other dealing activities	(12,568)	(2,137)
Others	540	1,502
	20,843	10,888

5. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	Six months ended 31 December	
	2001 (Unaudited) US\$'000	2000 (Unaudited) US\$'000
after charging:		
Staff costs (including retirement scheme contributions of US\$332,000 (2000: US\$2,260,000))	9,878	65,969
Depreciation	1,076	16,736
Operating lease charges		
– properties	1,500	4,389
– others	8	8
Amortisation of goodwill	14	1,630
Auditors' remuneration	106	500
Donation	–	30
and crediting:		
Gross rental income from investment properties	9,099	9,239
Less: direct outgoings	(847)	(422)
Net rental income	8,252	8,817
Share of profits less losses of associates:		
Listed	30,203	24,868
Unlisted	350	(3,772)
	30,553	21,096

6. FINANCE COST FOR NON-BANKING OPERATIONS

	Six months ended 31 December	
	2001 (Unaudited) US\$'000	2000 (Unaudited) US\$'000
Interest on bank advances and other borrowings repayable within five years	24,747	45,197
Other borrowing cost	428	586
Total borrowing cost	25,175	45,783
Less : Borrowings costs capitalised into development properties (Note b)	(11,152)	(15,810)
	14,023	29,973

Note a: This excludes the interest expenses of the banking operations.

Note b: The borrowing costs have been capitalised at a rate of 3.0% – 6.2% per annum (2000: 3.5% – 8%) for properties under development.

7. TAXATION

Taxation in the consolidated income statement represents :

	Six months ended 31 December	
	2001 (Unaudited) US\$'000	2000 (Unaudited) US\$'000
Hong Kong taxation	127	20,835
Overseas taxation	2,075	1,932
Deferred taxation	(3,831)	1,271
	(1,629)	24,038
Share of associates' taxation	17,194	10,251
Share of jointly controlled entities' taxation	–	529
	15,565	34,818

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16% (2000: 16%) to the profits for the six months ended 31 December 2001. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that would be applicable to the relevant countries.

8. DIVIDENDS

	Six months ended 31 December	
	2001 (Unaudited) US\$'000	2000 (Unaudited) US\$'000
2001: Final dividend paid of HK\$0.60 per share (2000: HK\$0.55 per share)	24,933	30,100
2002: Proposed interim dividend of HK\$0.40 per share (2001: HK\$0.20 per share)	16,625	10,941

The proposed interim dividend for the year ending 30 June 2002 of US\$16,625,000 is calculated based on 324,081,373 ordinary shares in issue as at 31 December 2001.

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of US\$70,015,000 (2000 as restated: US\$80,828,000) and on the weighted average number of 409,424,452 ordinary shares (2000: 426,631,086 ordinary shares) in issue during the period.

9. EARNINGS PER SHARE (CONT'D)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of US\$67,248,000 (2000 as restated: US\$79,944,000) and the weighted average number of 414,035,797 ordinary shares (2000: 426,631,086 ordinary shares) in issue during the period after adjusting for the effect of all dilutive potential ordinary shares.

(c) Reconciliations

	2001 Number of shares	2000 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	409,424,452	426,631,086
Deemed issue of ordinary shares under share option scheme	4,611,345	–
Weighted average number of ordinary shares used in calculating diluted earnings per share	414,035,797	426,631,086

10. OTHER NON-CURRENT FINANCIAL ASSETS

	At 31 December 2001 (Unaudited) US\$'000	At 30 June 2001 (Audited) US\$'000
Investment securities		
Equity securities		
Listed outside Hong Kong	79,331	75,944
Unlisted	5,590	6,435
Total investment securities	84,921	82,379
Club and other debentures	486	–
	85,407	82,379
Market value of listed investment securities		
Equity securities	68,989	109,204

Certain listed investment securities with total carrying values of US\$65.8 million (30 June 2001: US\$66.3 million) were pledged with a bank to secure short-term bank loan facilities.

11. DEVELOPMENT PROPERTIES

	At 31 December 2001 (Unaudited) US\$'000	At 30 June 2001 (Audited) US\$'000
Cost as at 31 December / 30 June	1,005,359	976,725
Less: Attributable loss	(61,834)	(33,551)
Less: Impairment loss	(108,078)	(108,892)
Less: Progress instalments received and receivable	(254,207)	(196,361)
	581,240	637,921

The amount of development properties expected to be recovered after more than one year is US\$523,263,000 (30 June 2001: US\$504,391,000).

Certain of the Group's development properties with an original book value of US\$550.8 million (30 June 2001: US\$647.3 million) are under legal mortgages with banks.

12. OTHER ASSETS

	At 31 December 2001 (Unaudited) US\$'000	At 30 June 2001 (Audited) US\$'000
Accrued interest	3,896	512
Other accounts	54,808	54,736
	58,704	55,248

Included in other accounts of the Group are amounts of US\$1,044,000 (30 June 2001: US\$1,335,000) which are expected to be recovered after more than one year.

13. OTHER INVESTMENTS IN SECURITIES

	At 31 December 2001 (Unaudited) US\$'000	At 30 June 2001 (Audited) US\$'000
Debt securities		
Listed		
In Hong Kong	534	510
Outside Hong Kong	2,261	1,850
	2,795	2,360
Unlisted	11,784	13,495
	14,579	15,855
Equity securities		
Listed		
In Hong Kong	29,550	21,795
Outside Hong Kong (Note (a))	106,378	149,466
	135,928	171,261
Unlisted (Note (b))	1,273,612	1,219,259
	1,409,540	1,390,520
Total other investments in securities	1,424,119	1,406,375
Market value of other listed investments in securities		
Debt securities	2,795	2,360
Equity securities	135,928	171,261
	138,723	173,621

Note :

- (a) Certain listed equity securities with total carrying value of US\$58.7 million (30 June 2001: US\$75.4 million) were pledged with a bank to secure short-term bank loan facilities.
- (b) It represents US\$1,274 million (30 June 2001: US\$1,219 million) of equity investment in DBS Diamond Holdings Limited received on the disposal of a former subsidiary.

14. OTHER PAYABLES AND PROVISION

	At 31 December 2001 (Unaudited) US\$'000	At 30 June 2001 (Audited) US\$'000
Other payables and provision	177,747	209,288
Amounts due to associates	26	24
	177,773	209,312

Included in other payables of the Group are amounts of US\$3,335,000 (30 June 2001: US\$11,370,000) which are expected to be settled after more than one year.

15. CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

At 31 December 2001, the current portion of bank loans and other borrowings are as follows:

	At 31 December 2001 (Unaudited) US\$'000	At 30 June 2001 (Audited) US\$'000
Bank loans		
– secured	164,199	134,731
– unsecured	150,944	302,156
	315,143	436,887
Unsecured floating rate notes	–	180,000
Unsecured long term notes and bonds repayable within 1 year	26,868	82,281
	342,011	699,168

16. NON-CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

	At 31 December 2001 (Unaudited) US\$'000	At 30 June 2001 (Audited) US\$'000
Bank loans		
– secured	266,628	365,360
– unsecured	111,496	151,720
	378,124	517,080
Long term notes and bonds		
Unsecured medium term notes	120,082	95,995
Unsecured fixed rate bonds	–	27,427
	120,082	123,422
	498,206	640,502

16. NON-CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS (CONT'D)

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

	At 31 December 2001			At 30 June 2001		
	Bank loans	Other	Total	Bank loans	Other	Total
	(Unaudited)	borrowings	(Unaudited)	(Audited)	borrowings	(Audited)
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
On demand or within 1 year	315,143	26,868	342,011	436,887	262,281	699,168
After 1 year but within 2 years	144,707	56,546	201,253	237,776	63,082	300,858
After 2 years but within 5 years	233,417	63,536	296,953	279,304	60,340	339,644
	378,124	120,082	498,206	517,080	123,422	640,502
	693,267	146,950	840,217	953,967	385,703	1,339,670

17. SHARE CAPITAL

	At 31 December 2001		At 30 June 2001	
	No. of shares ('000)	US\$'000	No. of shares ('000)	US\$'000
Authorised:				
Ordinary shares of US\$0.50 each	1,000,000	500,000	1,000,000	500,000
Issued and fully paid:				
As at 1 July	427,091	213,546	426,631	213,316
Share issued under Share Option Scheme	3,990	1,995	460	230
Share repurchase	(107,000)	(53,500)	–	–
As at 31 December / 30 June	324,081	162,041	427,091	213,546

During the period, the Company repurchased a total of 106,999,713 shares of US\$0.50 each of the Company on The Stock Exchange of Hong Kong Limited.

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.

17. SHARE CAPITAL (CONT'D)

During the period, 3,990,000 (1 July 2000 to 30 June 2001: 460,000 share options) share options were exercised to subscribe for 3,990,000 (1 July 2000 to 30 June 2001: 460,000 shares) shares in the Company at a consideration (net of charges) of US\$10,400,000 (1 July 2000 to 30 June 2001: US\$1,200,000) of which US\$1,995,000 (1 July 2000 to 30 June 2001: US\$230,000) was credited to share capital and the balance of US\$8,405,000 (1 July 2000 to 30 June 2001: US\$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 period. At 31 December 2001, 5,090,000 share options were outstanding (30 June 2001: 9,140,000 share options).

18. RESERVES

	At 31 December 2001 (Unaudited) US\$'000	At 30 June 2001 (Audited) US\$'000
(a) Share premium		
As at 1 July 2001 and 1 July 2000	236,092	235,122
Shares issued under Share Option Scheme	8,405	970
Shares repurchased and cancelled	(244,497)	–
	–	236,092
(b) Investment property revaluation reserve		
As at 1 July 2001 and 1 July 2000	26,398	25,429
(Deficit)/surplus arising on revaluation of investment properties from		
– subsidiaries	(214)	(3,491)
– an associate	(5,034)	10,891
Realised on disposal by		
– subsidiaries	5,964	–
– an associate	(5,055)	(4,850)
Exchange adjustments	(414)	(1,581)
	21,645	26,398
(c) Other property revaluation reserve		
As at 1 July 2001 and 1 July 2000	–	42,909
Written back of revaluation surplus of associates	–	(1,771)
Realised on disposal of a subsidiary	–	(41,108)
Exchange adjustments	–	(30)
	–	–
(d) Capital and other reserves		
As at 1 July 2001 and 1 July 2000	45,861	71,271
Restatement of goodwill	–	94,799
As restated	45,861	166,070
Share of subsidiaries' and associates' capital reserves movement	351	(6,119)
Transfer of net dilution loss to consolidated income statement	–	22,488
Transfer from retained profits of subsidiaries and associates	–	9,072
Realised on disposal of a subsidiary	–	(145,066)
Exchange adjustments	(223)	(584)
	45,989	45,861

18. RESERVES (CONT'D)

	At 31 December 2001 (Unaudited) US\$'000	At 30 June 2001 (Audited) US\$'000
(e) Contributed surplus		
As at 1 July 2001 and 1 July 2000	18,417	36,121
Realised on disposal of a subsidiary	–	(17,704)
Shares repurchased and cancelled	(14,439)	–
	3,978	18,417
(f) General reserve		
As at 1 July 2001 and 1 July 2000	77,042	131,929
Realised on disposal of a subsidiary	–	(54,887)
Shares repurchased and cancelled	(77,042)	–
	–	77,042
(g) Exchange differences on translation of net investments in subsidiaries and associates		
As at 1 July 2001 and 1 July 2000	6,016	(178,428)
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	928	(20,505)
Exchange difference on investments in subsidiaries and associates written off	–	183,309
Realised on disposal of a subsidiary	–	21,640
	6,944	6,016
(h) Retained profits		
As at 1 July 2001 and 1 July 2000	3,493,456	878,329
Amortisation of restated goodwill	–	(91,119)
Proposed final dividend restated	–	30,100
As restated	3,493,456	817,310
Shares repurchased and cancelled	(300,106)	–
Transfer to capital reserve by subsidiaries and associates	–	(9,072)
Retained profit for the period / year	45,082	2,685,218
	3,238,432	3,493,456
TOTAL RESERVES	3,316,988	3,903,282

19. CONTINGENT LIABILITIES

As at 31 December 2001, there were contingent liabilities in respect of guarantees given to bankers by the Group to secure banking facilities to the extent of US\$39,595,000 (30 June 2001: US\$41,087,000) granted to certain investee companies of the Group.

As at 31 December 2001, there were contingent liabilities in respect of guarantees given to bankers by the Company to secure banking facilities to the extent of US\$21,160,000 (30 June 2001: US\$381,155,000) granted to group companies.

20. COMMITMENTS

(a) As at 31 December 2001, the Group had capital commitments as follows:

	At 31 December 2001 (Unaudited) US\$'000	At 30 June 2001 (Audited) US\$'000
Authorised and contracted for	2,079	3,116

(b) There were also commitments in respect of foreign currency contracts, currency option and forward rate agreements relating to the normal operations as at 31 December 2001.

21. MATERIAL RELATED PARTY TRANSACTIONS

(a) Management fee

The Company has entered into management services agreements, determinable by either party giving six months' notice, with Hong Leong Overseas (H.K.) Limited ("HLO"), a subsidiary of the Company's substantial shareholder, for provision of general management services to the Group by HLO. Total management fees (mainly an annual fee equal to three percent of the consolidated profit before tax of the Group) paid and payable to HLO for the period ended 31 December 2001 amounted to US\$1.4 million (2000: US\$4.2 million).

(b) 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 period ended 31 December 2001, the Group made a total contribution of US\$0.3 million to the scheme (2000: US\$3.4 million).

22. COMPARATIVE FIGURES

Certain comparative figures relating to the consolidated income statement for the six months ended 31 December 2000 have been reclassified to conform with the current period's presentation including restatement of amortisation of goodwill and dividend paid in accordance with SSAP 30 and SSAP 9 respectively.

23. HONG KONG DOLLAR AMOUNTS

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