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BOARD OF DIRECTORS

Quek Leng Chan – Executive Chairman
Kwek Leng Hai – President, CEO
Sat Pal Khattar
Kwek Leng San
Peter Anthony Wakefield
Tan Lim Heng
James Eng, Jr.
Harry Richard Wilkinson
Jamal Al-Babtain

COMPANY SECRETARY

Doris W.N. Wong

AUDITORS

KPMG
Certified Public Accountants

BRANCH SHARE REGISTRARS

Central Registration Hong Kong Limited
Shops 1712-6,
17th Floor, Hopewell Centre,
183 Queen's Road East, Hong Kong

REGISTERED ADDRESS

Cedar House, 41 Cedar Avenue,
Hamilton, HM12, Bermuda

PRINCIPAL OFFICE

11th Floor, The Center,
99 Queen's Road Central,
Hong Kong
Telephone : (852) 2218 8899
Fax : (852) 2285 3899
Internet address : <http://www.guoco.com>

INTERNET WEBSITES OF OTHER SUBSIDIARY AND ASSOCIATE

First Capital Corporation Ltd
(<http://www.fcc.com.sg>)
imGO Limited
(<http://www.imgo.com>)

FINANCIAL CALENDAR

Interim results announcement	16 March 2001
Closure of Register of Members	9 April 2001 to 12 April 2001
Interim dividend of HK\$0.20 per share paid on	17 April 2001
Annual results announcement	12 October 2001
Closure of Register of Members	23 November 2001 to 29 November 2001
Annual General Meeting	29 November 2001
Final dividend of HK\$0.60 per share payable on	30 November 2001

Biographical Details of Directors and Senior Management

Quek Leng Chan, aged 58, is the Executive Chairman of Guoco Group Limited (“Guoco”). He is also the Executive Chairman of the Hong Leong Group Malaysia. Mr. Quek has a law degree and has extensive business experience in various business sectors, including financial services, manufacturing and real estate. He has been the Executive Chairman of the Guoco Group since 1982. Mr. Quek is a Director of Guoline Overseas Limited (“GOL”), a substantial shareholder of Guoco. He is a brother of Mr. Kwek Leng Hai and Mr. Kwek Leng San.

Kwek Leng Hai, aged 48, is the President and Chief Executive of Guoco and is a Director of Dao Heng Bank Group Limited. He resigned as the Chief Executive of Dao Heng Bank Limited and Overseas Trust Bank, Limited on 29 June 2001. Mr. Kwek is a qualified chartered accountant. Prior to joining Guoco Group in 1985, he was the Managing Director of Hong Leong Industries Berhad. Mr. Kwek has extensive experience in financial services, manufacturing and property investment. Mr. Kwek is a Director of GOL, a substantial shareholder of Guoco. He is a brother of Mr. Quek Leng Chan and Mr. Kwek Leng San.

Sat Pal Khattar*, aged 58, is a Director of Guoco. Mr. Khattar obtained a LLM degree and a LLB (Hons) degree from the University of Singapore. He is a consultant of Khattar Wong & Partners in Singapore. He is also the Chairman of First Capital Corporation Ltd (“FCC”), a subsidiary of Guoco, in Singapore and other public and private companies in Singapore and elsewhere.

Kwek Leng San*, aged 46, is a Director of Guoco. He is the President and Chief Executive Officer of Hong Leong Industries Berhad, a member of the Hong Leong Group Malaysia. He holds a bachelor of science degree in engineering and a master of science degree in finance. Mr. Kwek is a Director of GOL, a substantial shareholder of Guoco. He is a brother of Mr. Quek Leng Chan and Mr. Kwek Leng Hai.

Peter Anthony Wakefield*, aged 57, is a Director of Guoco. Since 1 December 1995, he has been Executive Vice President at Kuwait Investment Office (“KIO”), where he has responsibility for its Equities Group and is involved with global asset allocation and special projects. Prior to joining KIO, he had 28 years experience of investment management with four major UK institutions, holding executive directorships at FP Asset Management Group, GT Management PLC, NM Rothschild Asset Management Ltd and Clerical Medical Investment Group. He has post-graduate qualifications with The Institute of Chartered Secretaries & Administrators (ACIS), The Chartered Insurance Institute (ACII) and The Institute of Investment Management and Research (AIIMR).

Biographical Details of Directors and Senior Management

Tan Lim Heng, aged 53, is a Director of Guoco and is the Managing Director of Dao Heng Securities Limited and Dao Heng Commodities Limited. He also serves as a non-executive Director of imGO Limited and Lam Soon (Hong Kong) Limited. Mr. Tan holds a Bachelor of Science first class honours degree in engineering from University of Surrey and a Master of Science degree in management from Massachusetts Institute of Technology. Prior to joining Guoco as a senior management executive in 1990, he had served in the Singapore Civil Service as a Colombo Plan Scholar 1975-1978 before coming to work in Hong Kong with a financial services company and a major U.S. bank. He had also previously worked in Geneva in 1974 with the United Nations Conference on Trade and Development. Mr. Tan has extensive experience in property investment, financial and investment management services.

James Eng, Jr., aged 59, is a Director of Guoco, he joined Guoco Management Company Limited in April 1994 as Executive Director, responsible for all Group staff support functions for Guoco. Prior to his joining Guoco, he was with Hiram Walker, a Division of Allied-Lyons. Postings included New York, Miami, London, Hong Kong, and Windsor Canada. Assignments included Senior Vice President, finance and administration for U.S.A., Senior Vice President for international strategic planning which included acquisitions, mergers and divestitures. During his time with Brout, Issacs & Co., Certified Public Accountants in New York City, he was responsible for the Management Services Division which included mergers and acquisitions, feasibility studies, restructurings, reengineering and automation for clients. As a Management Consultant in New York for Computer Methods Corporation, he served such diverse clients as AT&T, Standard & Poor's, Commodity Research Bureau, credit card companies, distribution companies, and various manufacturers. Prior to that, he worked for Home Insurance Co. in New York.

Harry Richard Wilkinson*, aged 58, is a Director of Guoco. He was previously a Director and Chief Financial Officer of Orient Overseas (International) Limited. Prior to joining Orient Overseas (International) Limited, he was Managing Director and Regional Manager of Chemical Bank for Hong Kong, China and Taiwan and has considerable experience in shipping and banking. His career began at Manufacturers Hanover Trust Company in New York in 1975, where he held various positions. Manufacturers Hanover Trust Company was the predecessor of Chemical Bank, which was absorbed by merger in 1992. Mr. Wilkinson was a US Navy Officer for five years and was awarded three Military awards. He holds three master degrees from Horace H Rackham School of Graduate Studies, The University of Michigan at Ann Arbor, MI. He was previously on the Banking Advisory Committee to the Government and is currently on the Visiting Committee of the University of Michigan Business School.

Biographical Details of Directors and Senior Management

Jamal Al-Babtain*, aged 39, is a Director of Guoco and Grupo Torras SA, Madrid. He is a Vice President of Kuwait Investment Office, London. He holds a bachelor of arts degree in business administration. He has been a Director of Guoco since 1998.

** Non-executive Director*

The importance of the 2001 financial year cannot be overstated. The disposal of the Dao Heng Bank Group (“DHBG”) in June 2001 was an event of historical significance for the Group and its shareholders. It represents the culmination of an extraordinarily successful investment spanning nearly 20 years, from our acquisition in 1982 of a small and relatively obscure local bank. We took this institution and turned it into one of the most modern, well-recognized and important listed banking groups in Hong Kong, with a market capitalization and turnover by December 1999 to propel it into the ranks of the Hang Seng Index.

This achievement represents a commitment to managing a business to maximize its potential both as a business and as an investment. We imported the latest developments in every area, from technology to marketing, to increase market share and improve margins. We also took every opportunity to expand through acquisition. In 1989 we doubled the size of DHBG by taking over Hang Lung Bank, again doubling its size in 1993 through the acquisition of Overseas Trust Bank. The name Dao Heng became synonymous with leadership in many areas of banking, widely recognized as one of the strongest, most diversified franchises in Hong Kong.

It had become increasingly apparent that the Hong Kong banking sector would finally follow the global trend towards consolidation with the advent of the last phase of banking deregulation in Hong Kong. The Board and management examined in great detail the best way of using this trend to build on the success of DHBG, which by 2000 had come to account for 90% of Guoco's assets. However, market conditions were not producing the same compelling acquisition opportunities we had found in the past.

When the Development Bank of Singapore (“DBS”) expressed an interest to acquire DHBG, we saw this as an opportunity for DHBG to lead in the banking consolidation under a strong banking parent. We went into negotiation with DBS on 1 April 2001, resulting in the sale of DHBG in June of this year. I am glad that we had passed ownership of the bank to a group such as DBS which will undoubtedly be able to bring DHBG to greater heights. DBS had retained all the senior staff and I would like to wish them well and thank them for their hard work, discipline and dedication in assisting DHBG to be what it is.

FINANCIAL RESULTS

The sale of DHBG has been the overriding feature of the Group's financial results. We recorded a profit on the disposal of HK\$22.6 billion. A cash payment of HK\$21.4 billion was received on 29 June 2001. However, the Group continues to maintain a 20% shareholding in DHBG via a shareholding in DBS Diamond. This shareholding has a put option valued at HK\$10.8 billion available to the Group and a call option available to DBS, both exercisable within seven days following 31 December 2002.

The Group has taken the opportunity of this one-off exceptional gain to undertake a thorough and critical appraisal of all our investment assets and to make prudent provisions for investments in subsidiaries, associates and jointly controlled entities. As a result, the Group has reported consolidated profit attributable to shareholders, after taxation and minority interests amounting to HK\$21.3 billion. Basic earnings per share were HK\$49.83. Consolidated shareholders' funds have expanded to HK\$32.1 billion, representing an increase of 176% over the previous financial year.

At the forthcoming Annual General Meeting, the Board of Directors will recommend the payment of a final dividend of HK\$0.60 per share which together with the interim dividend of HK\$0.20 per share paid during the year, makes a total dividend for the year of HK\$341 million or HK\$0.80 per share, a 14% increase over last year's level.

PROPOSED SHARE REPURCHASE SCHEME

On 8 September 2001, the Group announced a share repurchase plan by way of a tender exercise. Under the provisions of the plan, the Group has undertaken to repurchase up to 10 percent of the outstanding shares of the Company and may, at its option, repurchase up to 25 percent of the outstanding shares of the Company.

At the time of the announcement, the Company's shares were trading in a range of their historical high. A repurchase price range of HK\$46.00 to HK\$51.00 was set after fully considering various factors, including precedents of similar transactions established by other blue-chip companies, and the desire to maintain the financial strength of the Group. This price range represents a premium to the 30, 60 and 90-day market trading averages immediately preceding the announcement.

A comprehensive offer circular will be dispatched to shareholders so that they may objectively consider the offer. In approving the plan, the Board sought to provide the liquidity to facilitate the sale of shares by those shareholders that may wish to exit their investment in the Group.

THE GROUP'S HONG KONG FINANCIAL SERVICE COMPANIES

As previously announced, the Group had agreed to enter into negotiations with DBS regarding the possible sale of its other Hong Kong financial service companies. While the Group has an obligation to enter into negotiations, the outcome is by no means certain. We believe these businesses offer considerable potential in their own right.

Accordingly, we are taking steps to strengthen their distribution networks. In the past, the distribution of the products and services of these companies were, to a varying degree, undertaken by DHBG. Going forward, the Group intends to be less reliant upon DHBG and is undertaking various initiatives to turn these companies into a cohesive integrated financial services operation incorporating innovative technology and a new marketing structure, so as to ensure their sustained profitability and growth.

OTHER GROUP COMPANIES

The Operations Review section of this annual report will provide a more comprehensive discussion of the Group's other operations. However, I wish to say that the Group's investment disciplines will apply to all the Group's investments. As such, we will continue to enhance those operations which meet our investment criteria and exit those which do not.

FUTURE INVESTMENT STRATEGY

The Group's track record of creating substantial value for shareholders through investing in opportunities and actively managing them to their full potential speaks for itself. The Company will continue to operate as an investment holding company and to maintain its listing on the Hong Kong Stock Exchange. With these objectives in mind, the Group will seek to reinvest the majority of the cash proceeds of the DHBG transaction into assets that are consistent with the Board's objective of generating superior returns. In the past, a substantial portion of our investments was committed to the

development of DHBG. Going forward, the Group intends to adopt a more active investment style as regards its investments, which should enable it to achieve greater value creation.

For the time being, as we believe asset prices may undergo further adjustment, we have adopted a conservative cash management process so as to conserve funds until appropriate investment opportunities arise. The Group will also take advantage of this window of opportunity to carefully assess a variety of industrial sectors to identify those that will provide superior overall returns for shareholders.

OUTLOOK

The evolution of our investment strategy in a much more active direction may not become immediately apparent. The recent tragic events in America will clearly have far reaching implications, with economic consequences for the entire global community, including the Asian and Greater China communities. Clearly, these unprecedented events have brought forward the timing of the global economic downturn that we had previously anticipated would occur in 2001/2002. Nevertheless, the clouds of uncertainty that now hang over world markets will eventually lift as global events unfold. It is my belief that insightful patience and prudence will ultimately be rewarded with superior investment opportunities. Further, the approval of China's entry into the World Trade Organisation has resulted in China being widely regarded as having one of the best economic outlooks for the foreseeable future. Management will pursue investment opportunities based on established Group disciplines.

APPRECIATION

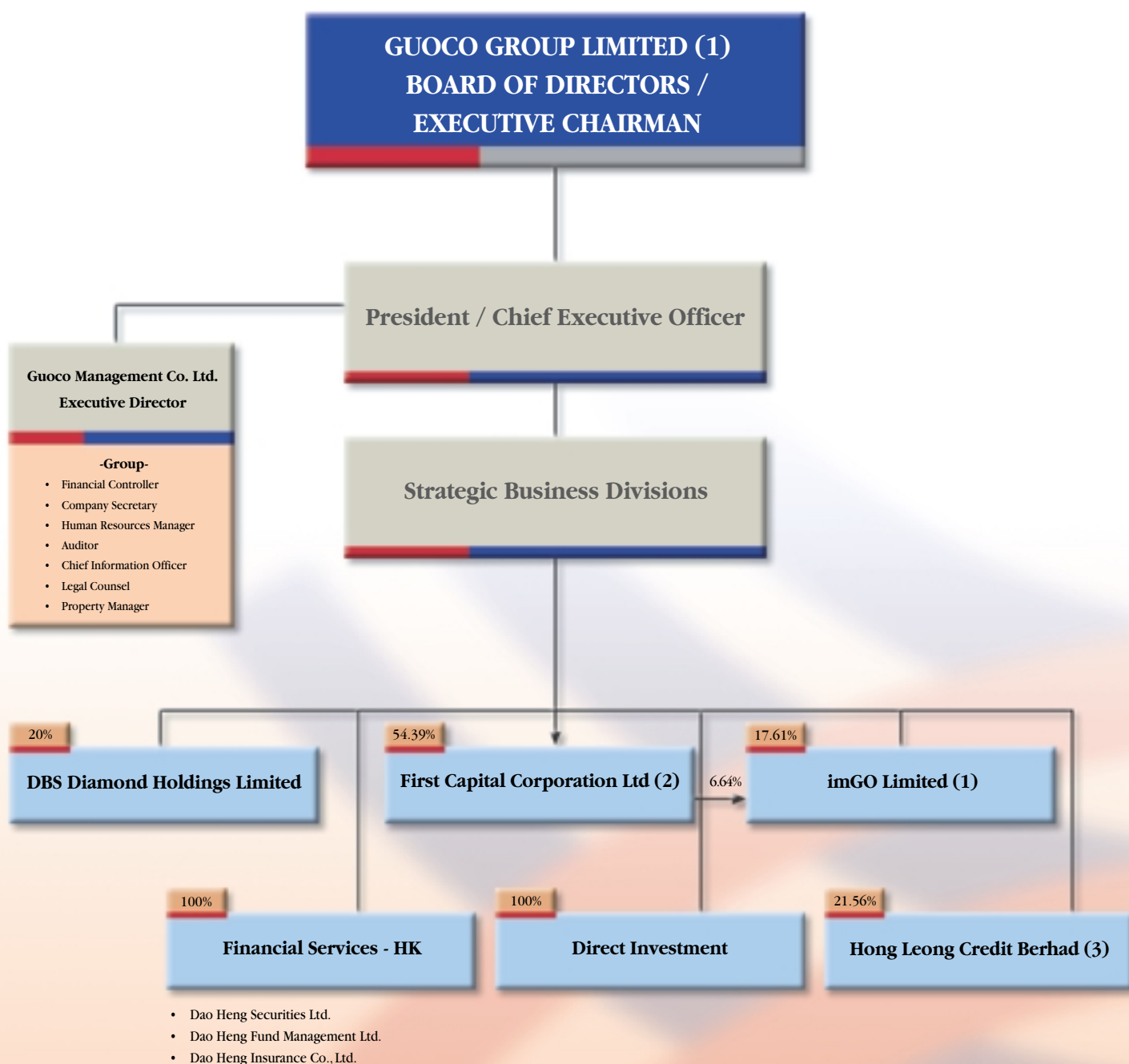
As in prior years, I would like to take this opportunity to thank my fellow directors and the management and staff of the Group for their wise counsel, on-going dedication and exceptional commitment. This year I particularly wish to offer my sincere appreciation to management for their outstanding achievement. It is this commitment that gives me confidence that the Group will continue to prosper.

Quok Leng Chan

Executive Chairman

12 October 2001

Management Organisation Chart



1. Listed in Hong Kong 2. Listed in Singapore 3. Listed in Malaysia

Websites on the Internet:

- Guoco Group Limited (<http://www.guoco.com>)
- First Capital Corporation Ltd (<http://www.fcc.com.sg>)
- imGO Limited (<http://www.imgo.com>)

DAO HENG BANK GROUP LIMITED ("DHBG") - 20% EFFECTIVE HOLDING BY THE GROUP

The profit attributable to shareholders is HK\$1,641 million, a decrease of 5.2% from the previous year.

After completion of the disposal, the consolidated net assets value of the Group has increased by approximately HK\$20.8 billion, after taking into account the profit arising from the disposal of approximately HK\$22.6 billion and release of certain reserves (as a result of the disposal) of approximately HK\$1.8 billion.



The disposal of the Group's interest in Dao Heng Bank Group Limited has realised tremendous value for our shareholders.

FIRST CAPITAL CORPORATION LTD ("FCC") - 54.39% OWNED BY THE GROUP

For the financial year ended 30 June 2001, FCC's turnover increased by 10% to S\$241.4 million, mainly due to recognition of turnover from units sold in Aquarius By The Park, Sanctuary Green and The Gardens at Bishan. The recognition of turnover is based on the percentage of completion method, which takes into account revenue attributable, at each stage of the development activities, to units actually sold. Turnover at the company level increased slightly by 4% to S\$118.2 million primarily due to higher interest income. On the other hand, FCC incurred a higher interest expense of S\$53.1 million, mainly due to investment activities.

In the light of prevailing weak market conditions, FCC made provisions for foreseeable losses on development projects. The rapid slowdown in the global economy has also affected FCC's investment in an associated company. These provisions (which were not anticipated at the time when the interim results were announced), together with share of losses in the associated company and higher financing costs, resulted in FCC reporting an operating loss after tax of S\$22.3 million against an operating profit after tax of S\$55.1 million in the previous year.

FCC has also accounted for its share of losses in the associated company whose underlying asset is KLSE-listed Camerlin Group Berhad. FCC was however able to recognize a profit of S\$31.8 million from its other associated companies, including those in London and China.



Review of Operations

At the end of the financial year, FCC has 0.9 million sq ft of landbank which has been launched but not sold. This is equivalent to 744 residential units. FCC did not acquire any development sites during the financial year. FCC's landbank which has not been launched is approximately 1.4 million sq ft and this is capable of producing 1,125 residential units. In total, therefore the unsold units of launched and unlaunched developments amount to 1,869 residential units.

FCC had undertaken an independent valuation of its investment properties as at 30 June 2001 and an amount of S\$37.9 million was written down in its revaluation reserves. After the write-down, FCC has a surplus of S\$196.2 million in its revaluation reserves.

imGO LIMITED ("imGO") - 17.61% OWNED BY THE GROUP AND 6.64% BY FCC

imGO reported a consolidated net profit after taxation of HK\$23 million.

imGO has invested in January 2001 in iSilk which is a visionary developer of Natural Language Processing (NLP) and Artificial Intelligence software applications for wireless and other internet platforms. According to the terms of the deal, imGO has rights to invest up to US\$7.3 million.

imGO has also invested US\$4 million in May 2001 in InfoTalk which specializes in developing multilingual conversational speech recognition technology and natural language technology.

As previously reported, imGO has the option ("Put Option") during the period from 30 May 2001 to 29 November 2001 to require the Company to purchase all (but not part) of imGO's interest in the shares in each of the property owning companies at an aggregate consideration of about HK\$606.7 million. The properties subject to this Put Option are located at The Center, Wu Chung House and Overseas Trust Bank Building in Hong Kong.

GUOCO PROPERTIES LIMITED ("GPL")

- 55% OWNED BY THE GROUP AND 45% BY FCC

GPL has a 75% interest in Corporate Square, a 17-storey office development in Beijing.

Approximately 53% of the office space in Corporate Square were sold and about 47% of the office areas had been leased out.

Management of GPL continues to actively market the remaining office space for sale at prevailing market prices. We are also exploring possible property development opportunities in Shanghai.

GUOCO HOLDINGS (PHILIPPINES), INC. ("GHPI") - 36.61% OWNED BY THE GROUP

GHPI reported a consolidated net loss of approximately Peso 1.82 billion during the financial year. GHPI remained in a restructuring mode and continued to be affected by high debt service cost. As such it is continuing with the extensive cost control and rightsizing programs for its operating subsidiaries as well as the divesting of non-core assets.

Benefits to Pepsi-Cola Products Philippines, Inc. ("PCPPI") from a series of nationwide selling price increases between November 2000 and January 2001 were negated by higher sugar prices and higher concentrate prices due to weak Peso. PCPPI will continue to focus on stringent cost reduction and productivity improvement measures.

In view of the continued difficult operating environment and uncertain economic outlook in the Philippines, the Group has undertaken a thorough and critical evaluation of our Philippine operations and is actively taking measures to minimise any further exposure.

HONG LEONG CREDIT BERHAD ("HLC") - 21.56% OWNED BY THE GROUP

HLC achieved a profit before taxation of RM575.5 million for the year ended 30 June 2001, a decrease of RM104.4 million or 15% over the previous year which recorded RM679.9 million. Except for stockbroking, all other divisions in HLC reported profits for the financial year.

Review of Operations

The banking division, including the results of its merger with Wah Tat Bank Berhad and Credit Corporation (Malaysia) Berhad, reported a growth in a profit before taxation of RM8.3 million to RM603.5 million for the financial year ended 30 June 2001. Higher net interest income earned during the year was the main contributor to higher profit before taxation together with the active management of its interest rate exposure.

The insurance division achieved a profit before taxation of RM27.8 million and a combined gross premium income of RM1,161.2 million for the financial year ended 30 June 2001, an increase of RM461.7 million or 66% over the previous year which recorded RM699.5 million.

The stockbroking division suffered a loss before taxation of RM28.3 million for the financial year ended 30 June 2001 from a

The new Gold American Express credit card launched by Hong Leong Bank.

*Hong Leong Finance
in-store centre.*



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Hong Leong Finance Berhad

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profit of RM65.3 million for the previous year. The loss is substantially due to the low KLSE trading volume following the bearish market sentiment and reduced commission rates effective in September 2000.

The property division recorded a profit before taxation of RM11.4 million for the financial year ended 30 June 2001 compared to a loss of RM86.3 million for the previous year. Its performance continued to be affected by the soft property market which resulted in a slowdown of the sales launches and construction activities.

OTHER FINANCIAL SERVICES

Dao Heng Securities Limited (“DHS”)

For the year ended 30 June 2001, DHS continued to earn steady income from its core businesses namely stockbroking, share margin finance and corporate finance.

During the year, DHS has made further progress in technology development and implementation to improve trading efficiency. DHS was one of the thirty two pilot brokers to go live with a complete electronic trading solution on 10 November 2000 - the third generation of the Automated Matching System (AMS/3). DHS's trading system is now directly interfaced with the stock exchange AMS/3 host system. With this open gateway system, orders can be routed for execution within a split of a second instead of the ten seconds or more it took previously. Features, content and trading platform for DHS Online has been continuously improved.

DHS has successfully registered its Electronic Initial Public Offer service to provide clients the convenience of IPO application via Internet. DHS's website has been rated joint second by the Asia Banker Journal in January 2001. DHS has started forming strategic alliance with its overseas counterparts in order to enlarge its customer base. DHS corporate finance has kept pace with the market and has completed several financial advisor assignments and is engaged in a number of IPO issues.

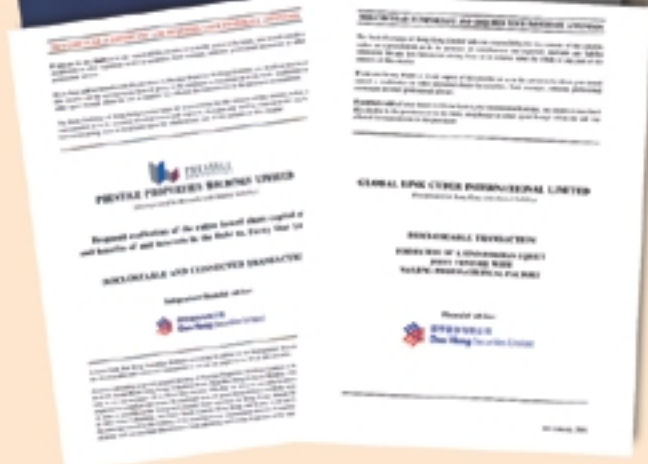
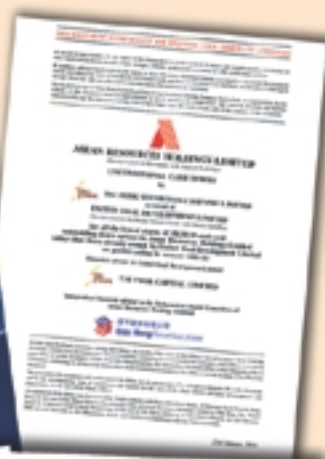
Dao Heng Securities Ltd has made significant progress in technology development and implementation to improve trading efficiency.

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First choice to protect your home contents, belongings and safety

Dao Heng
Accident Insurance

24 hours worldwide protection for you and your family

Dao Heng
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Extra cash on hand during hospitalization

Dao Heng
Medical Insurance

Taking care of you and your family's health

Dao Heng Insurance Direct
2961 2266



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15% OFF PLUS 10% Early Bird Discount
(if made 10 days prior to departure)

85折 優惠
100% 賠款
100% 賠款

Paris 巴黎

Rome 羅馬

Osaka 大阪

Sydney 悉尼

New York 紐約

Singapore 新加坡

Beijing 北京

道亨 旅遊保險
2961 2266

85折 優惠
10% 提前投保

Dao Heng Insurance Co., Limited (“DHI”)

The Hong Kong non-life insurance market was operating under competitive environment. In the financial year 2000/2001, DHI's underwriting result was eroded by the increase in marketing expenses which however, had proven to be effective in the form of increasing sales. In fact, Direct Club membership has surpassed 100,000 in June 2001.

In the forthcoming financial years, we shall focus on “up-sell” programme to capitalize on the opportunities of this data base. DHI, DHS and Dao Heng Fund Management Limited are working on an all year round marketing and sales campaign to up-sell higher value financial products to the Direct Club members.

The property market in Hong Kong is expected to remain sluggish in the next few years, DHI's major source of income will shift from fire insurance to personal line insurance which is expected to account for 43% of the company's total production in three years.

DHI will also explore business opportunities in the commercial banking areas. Profitable line of business such as Marine Cargo will be focused for development.

Dao Heng Fund Management Limited (“DHFM”)

DHFM has successfully launched the “Dao Heng Investment Fund Services” which features third party funds offering to compliment the Dao Heng Unit Trusts. The two flagship funds of DHFM namely Dao Heng Hong Kong Fund and Dao Heng China Fund, were well-received by investors, in particular, the Dao Heng Hong Kong Fund sales represented over 20% of total sales in Hong Kong in its sector. Aggressive promotion of the “Dao Heng Monthly Savings Plan” was successful and resulted in over 4,000 new accounts.

During the year under review, DHFM has actively participated in launching Mandatory Provident Fund Scheme (“MPF”) and become one of the top ten MPF service providers. In the second half of the financial year, emphasis was placed in the enrolment process, and in providing quality services to both employers

and employees. A call centre with Interactive Voice Response System was set up together with Bermuda Trust (Far East) Limited. A customer service team has been put in place to provide on-going services to the employees.

***Dao Heng Insurance Co., Ltd
offers a wide range of personal
line insurance products.***

Review of Operations



***Dao Heng Fund Management Ltd
is one of the top ten MPF service
providers in Hong Kong.***

The MPF customer servicing team will continue to work closely with Bermuda Trust (Far East) Limited in providing quality service to both employers and employees in order to retain existing clients and attract more new clients.

New Unit Trust product will be launched to capture the huge potential client base generated from the MPF members. Additional third party fund houses will be included in our distribution list so as to broaden our fund offering range. Emphasis will also be on developing relationship with the Independent Financial Advisors so as to broaden our distribution channel.

DHFM, DHI and DHS will make use of the MPF business as a base to cross sell the Group's financial products and to develop institutional client base together with Friends Ivory & Sime Asia Limited ("FISA"). As at 30 June 2001, DHFM and FISA together have a total of approximately US\$1.7 billion of funds under management.



FINANCIAL COMMENTARY

Turnover

Overall turnover increased by 9.5% mainly due to the increase in property development and investment sectors (an increase of 58.3%). Turnover for the treasury and investment management sectors increased by 26.7% as a result of higher investment gain and dividend income on security investments. Turnover from stockbroking sector decreased by 27.2% while banking and financial sectors and insurance sectors increased by 5.2% and 4.3% respectively.

Borrowing

As at 30 June 2001, the Group maintained total borrowings of HK\$10 billion, of which approximately 63% comprises of unsecured borrowings.

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

	Bank loans	Other borrowings	Total
	HK\$'000	HK\$'000	HK\$'000
On demand or within 1 year	3,407,609	2,045,727	5,453,336
After 1 year but within 2 years	1,854,593	492,024	2,346,617
After 2 years but within 5 years	2,178,501	470,637	2,649,138
After 5 years	—	—	—
	4,033,094	962,661	4,995,755
	7,440,703	3,008,388	10,449,091

The loans are secured by the following:

- legal mortgages on investment properties with a book value of HK\$952 million;
- legal mortgages on development properties with a book value of HK\$5,049 million; and
- certain equity investments with total carrying value of HK\$1,105 million.

As at 30 June 2001, the Group has net cash balance of HK\$12,902 million after netting off the total borrowings of HK\$10,449 million.

Contingent Liabilities

As at 30 June 2001, there were contingent liabilities in respect of guarantees given to bankers by the Company to secure banking facilities to the extent of HK\$2,973 million granted to group companies.

As at 30 June 2001, there were three put option agreements entered into by the Company whereby imGO was granted the right (“Options”) to require the Company to purchase all (but not part) of imGO’s interest in the shares in each of the property holding companies at an aggregate consideration of about HK\$607 million. The Options are exercisable during the period from 30 May 2001 to 29 November 2001.

Capital Commitments

As at 30 June 2001, the Group had outstanding capital commitments as follows:

	HK\$’000
Authorised and contracted for	24,304
Authorised but not contracted for	—
	<hr/>
	24,304
	<hr/>

Capital and Finance

The Group’s consolidated shareholders’ funds as at 30 June 2001 after adjusted for the major items set out below, amounted to HK\$32,110 million, representing a net asset value of HK\$75.2 per share. The major adjustments are as follows:

1. Profit on disposal of a subsidiary amounting to HK\$22,630 million;
2. Realisation of reserves of HK\$1,849.5 million upon disposal of subsidiaries;
3. Net revaluation surplus for investment properties of HK\$57 million;
4. Realisation of revaluation surplus of HK\$37.8 million upon the disposal of investment properties by an associate;
5. Written back of revaluation reserves of associates amounting to HK\$13.8 million;
6. Share of subsidiaries’ and associates’ capital reserves of HK\$47.7 million;
7. Net dilution loss on investment in subsidiaries and associates of HK\$175.4 million;
8. Net exchange loss on investment in subsidiaries and associates of HK\$1,252.7 million.

TREASURY MANAGEMENT

The Group practices prudent financial management. Appropriate financial instruments, including interest rate and currency swaps will be used to manage our interest rate and foreign currency exposures.

HUMAN RESOURCES AND TRAINING

The Group, including its subsidiaries in Hong Kong and overseas, employed approximately 500 employees as at 30 June 2001. The Group continued to follow a measured approach towards the size of its workforce and is committed to provide its staff with ongoing development programmes.

The remuneration policy for the Group's employees is reviewed by management on a regular basis. Remuneration packages are structured to take into account the level and composition of pay and general market conditions in the respective countries and businesses in which the Group operates. Bonus and other merit payments are linked to the financial performance of the Group and individual performance as incentives to optimise performance. In addition, share options have been granted to certain eligible directors and employees of the Group in accordance with the terms of the approved share option schemes adopted by the Group.



The in-house magazine of the Group - GuocoPost



The Group took part in the Community Chest's yearly charitable event "Walk for Millions".



Staff members attended a talk on Personal Data Protection Principles.

Ten Year Summary

US\$'000

Years	Total liabilities (Note (c))	Current, deposit and other accounts (Notes (a) & (c))	Total assets (Note (c))	Shareholders' funds (Note (c))	Net profit after tax (Notes (b) & (c))
1992	3,470,827	3,104,031	3,993,219	412,590	48,136
1993	4,316,623	3,893,428	5,087,021	586,617	74,067
1994	8,446,938	7,916,721	9,872,282	932,440	187,683
1995	10,666,819	9,658,746	12,660,441	1,276,683	210,938
1996	13,274,327	12,179,696	15,664,605	1,516,400	244,016
1997	16,548,548	14,544,646	19,428,627	1,753,233	277,268
1998	16,157,183	14,024,926	18,565,159	1,419,147	49,448
1999	16,956,281	15,279,660	19,338,881	1,403,985	78,928
2000	18,014,260 (Note (d))	16,373,392	20,299,446 (Note (d))	1,489,778 (Note (d))	88,341 (Note (d))
2001	1,571,996	209,312	5,937,223	4,116,828	2,726,259

HK\$'000

Years	Total liabilities (Note (c))	Current, deposit and other accounts (Notes (a) & (c))	Total assets (Note (c))	Shareholders' funds (Note (c))	Net profit after tax (Notes (b) & (c))
1992	26,838,170	24,001,920	30,877,567	3,190,353	372,211
1993	33,443,038	30,164,334	39,411,696	4,544,815	573,833
1994	65,290,608	61,192,295	76,307,804	7,207,295	1,450,693
1995	82,545,179	74,744,206	97,972,823	9,879,612	1,632,345
1996	102,763,202	94,289,117	121,267,540	11,739,211	1,889,050
1997	128,209,879	112,684,645	150,523,285	13,583,168	2,148,134
1998	125,193,932	108,672,139	143,852,134	10,996,260	383,148
1999	131,538,351	118,531,963	150,021,371	10,891,414	612,283
2000	140,430,165 (Note (d))	127,638,779	158,244,331 (Note (d))	11,613,563 (Note (d))	688,662 (Note (d))
2001	12,261,175	1,632,581	46,308,855	32,110,299	21,264,139

Notes:

- (a) The figures for 1992 to 1994 include the former inner reserves of the banking subsidiaries which are restated to general reserve and included under shareholders' funds for the 1995 to 2000 figures.
- (b) The figures for 1994 to 2000 were before transfer to general reserve by banking subsidiaries while those for 1992 to 1993 were after such transfers.
- (c) The figures for 2001 were after the disposal of the banking subsidiaries.
- (d) Restated due to change in accounting policies.



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Report of the Directors

The directors have pleasure in presenting their report together with the audited statement of accounts for the year ended 30 June 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries which materially affected the results or assets of the Group during the financial year include commercial banking, retail banking and financing; property development, investment and management; stock, commodity and bullion broking; insurance and fund management. The Group disposed its interest in Dao Heng Bank Group Limited ("DHBG") on 29 June 2001 as set out in Note 3 on the accounts. Hence, the activities of commercial banking, retail banking and financing in relation to DHBG were discontinued. The principal activities of the associates which materially affected the results of the Group during the year include banking and financing; insurance and stockbroking; property development and merchant banking.

The analysis of the principal activities and geographical locations of operations of the Company and its subsidiaries during the financial year is set out in Note 5 on the accounts.

ACCOUNTS

The consolidated net profit of the Group for the year ended 30 June 2001 and the state of the Company's and the Group's affairs at that date are set out in the accounts on pages 36 to 90.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers and suppliers of the Group accounted for less than 30% of the total turnover and purchases of the Group respectively.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to US\$188,000 (2000: US\$161,000).

DIVIDENDS

An interim dividend of HK\$0.20 (2000: HK\$0.15) per share totalling HK\$85,326,000 (2000: HK\$63,995,000) was paid on 17 April 2001. The directors are recommending payment of a final dividend in respect of the year ended 30 June 2001 of HK\$0.60 (2000: HK\$0.55) per share totalling HK\$256,255,000 (2000: HK\$234,647,000).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 23 November 2001 to 29 November 2001, both days inclusive, during which period no share transfers will be registered.

To qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong not later than 4:00 p.m. on 22 November 2001.

SHARE CAPITAL AND OPTIONS

The Company

Under an executive share option scheme (“Executive Share Option Scheme”) adopted by the Company on 30 July 1991, the directors of the Company may, subject to such conditions as they may think fit, offer to grant options to the eligible employees of the Group to subscribe at such price for such number of shares in the Company as they may determine.

There were 9,800,000 share options granted on 6 December 1999 which were exercisable at HK\$20.33 per ordinary share of the Company as at 1 July 2000. During the year, a total of 460,000 ordinary shares of US\$0.50 each in the capital of the Company were issued at a price of HK\$20.33 per share, as a result of exercise by certain grantees of options granted under the Executive Share Option Scheme. There were 200,000 share options lapsed during the year as a result of resignation of grantees. As at 30 June 2001, there were 9,140,000 share options outstanding granted under the Executive Share Option Scheme which are exercisable during the period from 12 November 1999 to 12 February 2004. The Executive Share Option Scheme expired on 30 July 2001 other than those granted options.

Details of the share capital of the Company are shown in Note 33 on the accounts.

First Capital Corporation Ltd (“FCC”, a 54.4% subsidiary of the Company)

During the year, 172,834 non-redeemable convertible cumulative preference shares (“NCCPS”) were converted into 172,834 ordinary shares of S\$1.00 each in the capital of FCC. The NCCPS were issued on 9 February 1999 which carried the rights to a cumulative preference dividend of 7% per annum and the right to convert into ordinary shares of FCC for 5 years from the date of issue based on the conversion ratio of one ordinary share for every one NCCPS held.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

FIXED ASSETS

Movements in fixed assets during the year are set out in Note 18 on the accounts.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in Note 34 on the accounts.

SUBSIDIARIES

Particulars of the principal subsidiaries of the Company are set out in Note 19 on the accounts.

DIRECTORS

The Board of Directors meets regularly and members of the Board receive information between meetings about the developments in the Company's business. It is responsible for devising and implementing the overall group strategy, acquisition and divestment policy, and the approval of major capital expenditure projects and consideration of significant financing matters. It regularly reviews the financial performance and business of the Group.

The directors during the financial year and up to the date of this report were:

Quek Leng Chan - *Executive Chairman*

Kwek Leng Hai - *President, CEO*

Sat Pal Khattar**

Kwek Leng San*

Peter Anthony Wakefield*

(appointed on 15 December 2000)

Tan Lim Heng

James Eng, Jr.

(appointed on 23 July 2001)

Harry Richard Wilkinson**

Jamal Al-Babtain*

Mishal Abdulah Abdulaziz Al Masad*

(resigned on 10 November 2000)

Randolph Gordon Sullivan

(resigned on 23 July 2001)

* *Non-executive director*

** *Independent non-executive director*

In accordance with Clause 77 of the Company's Bye-Laws, Messrs Peter Anthony Wakefield and James Eng, Jr. will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Clauses 82 and 83 of the Company's Bye-Laws, Mr Sat Pal Khattar will retire from office by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

None of the directors has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

The non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation at annual general meetings in accordance with the Bye-Laws of the Company.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2001, the interests of the directors in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register maintained under Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Interests in the shares of the Company

Director	Personal interests	Number of shares			Total interests
		Family interests	Corporate interests	Other interests	
Quek Leng Chan	220,000	–	138,234,740*	–	138,454,740
Kwek Leng Hai	1,320,000	–	–	–	1,320,000
Sat Pal Khattar	582,330	–	–	–	582,330
Kwek Leng San	143,200	–	–	–	143,200
Tan Lim Heng	270,000	–	–	–	270,000
Randolph Gordon Sullivan (Remark)	11,000	–	–	–	11,000

* These shares represented the interest of Guoline Overseas Limited (137,046,740 shares) and another company (1,188,000 shares) with respect to which Mr Quek Leng Chan had a corporate interest pursuant to the SDI Ordinance.

Interests in share options granted by the Company

Director	No. of share options
Quek Leng Chan	3,000,000
Kwek Leng Hai	3,000,000
Sat Pal Khattar	300,000
Kwek Leng San	300,000
Tan Lim Heng	780,000
Harry Richard Wilkinson	180,000
Randolph Gordon Sullivan (Remark)	100,000

On 6 December 1999, the directors were granted share options pursuant to the Company's Executive Share Option Scheme adopted on 30 July 1991. Such share options are exercisable at the subscription price of HK\$20.33 during the period from 12 November 1999 to 12 February 2004. During the year, Messrs Tan Lim Heng and Harry Richard Wilkinson had respectively exercised 220,000 and 120,000 share options in the Company.

Remark: Mr Randolph Gordon Sullivan resigned as a director of the Company on 23 July 2001. He exercised 40,000 share options on 12 July 2001, the outstanding 60,000 share options were lapsed following his resignation.

DIRECTORS' INTERESTS IN SECURITIES (CONT'D)

Interests in the securities of associated corporations

Director	Name of Company	Personal interests	Number of shares		Other interests	Total interests
			Family interests	Corporate interests		
Quek Leng Chan	First Capital Corporation Ltd	662,261	–	200,559,299 (Note 1)	–	201,221,560
	First Capital Corporation Ltd (NCCPS**)	53,833	–	34,383,489 (Note 1)	–	34,437,322
	Hong Leong Credit Berhad	4,451,000	–	337,817,645 (Note 2)	–	342,268,645
	Guoco Holdings (Philippines), Inc.	–	–	866,610,220 (Note 1)	–	866,610,220
	imGO Limited	–	–	739,934,824 (Note 1)	–	739,934,824
Kwek Leng Hai	First Capital Corporation Ltd	1,180,261	–	–	–	1,180,261
	First Capital Corporation Ltd (NCCPS**)	53,833	–	–	–	53,833
	Hong Leong Credit Berhad	359,500	–	–	–	359,500
	Guoco Holdings (Philippines), Inc.	5,000,000	–	–	–	5,000,000
Sat Pal Khattar	First Capital Corporation Ltd	–	–	100,000	–	100,000
	First Capital Corporation Ltd (NCCPS**)	–	–	3,494,908	–	3,494,908
Tan Lim Heng	Hong Leong Credit Berhad	117,000	–	–	–	117,000
	imGO Limited	19,840,000	–	–	–	19,840,000

Notes:

- These shares represented the interest of the Company with respect to which Mr Quek Leng Chan had a corporate interest pursuant to the SDI Ordinance.
 - These shares represented the interest of Guoco Group Limited and other companies to which Mr Quek Leng Chan had a corporate interest pursuant to the SDI Ordinance.
- ** NCCPS - Non-redeemable convertible cumulative preference shares.

Certain directors hold qualifying shares in certain subsidiaries in trust for other subsidiaries of the Company.

Interests in share options granted by Hong Leong Credit Berhad (“HLCB”)

Mr Quek Leng Chan was granted an option on 6 January 2000 by HLCB to subscribe for 400,000 shares in HLCB at the subscription price of RM5.19 during the period from 24 December 1999 to 23 December 2004. During the year, he did not exercise any option to acquire shares in HLCB.

Apart from the above, as at 30 June 2001, there were no other interest or rights recorded in the register required to be kept under Section 29 of the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2001, those persons (other than the directors of the Company) having an interest of 10% or more in the Company's issued share capital as recorded in the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance or as otherwise known to the directors of the Company, were as follows:

Name	Direct interests	Number of shares held in the Company		Note
		Deemed interests	Total interests	
Guoline Overseas Limited ("GOL") Government of Kuwait Investment Authority	137,046,740	–	137,046,740	
Kuwait Investment Office	74,069,451	–	74,069,451	
Guoline Capital Assets Limited ("GCA")	–	137,046,740	137,046,740	1
Hong Leong Company (Malaysia) Berhad ("HLCM")	–	138,234,740	138,234,740	1 & 2
HL Holdings Sdn. Bhd.	–	138,234,740	138,234,740	3
Hong Leong Investment Holdings Pte Ltd	–	138,234,740	138,234,740	3
Kwek Holdings Pte Ltd	–	138,234,740	138,234,740	4

Notes:

- 1 GOL is a wholly-owned subsidiary of GCA which in turn is a wholly-owned subsidiary of HLCM. By virtue of Section 8 of the SDI Ordinance, both GCA and HLCM are deemed to have an interest in 137,046,740 shares held by GOL in the Company.
- 2 The interests of HLCM represented the shares held by GOL and another company to which HLCM had a corporate interest pursuant to the SDI Ordinance.
- 3 HL Holdings Sdn. Bhd. and Hong Leong Investment Holdings Pte Ltd were deemed to be interested in 138,234,740 shares in the Company with respect to their interests in HLCM pursuant to Section 8 of the SDI Ordinance.
- 4 Kwek Holdings Pte Ltd was deemed to be interested in 138,234,740 shares in the Company with respect to its interest in Hong Leong Investment Holdings Pte Ltd pursuant to Section 8 of the SDI Ordinance.

BOARD AUDIT COMMITTEE

The Board Audit Committee comprises Messrs Harry Richard Wilkinson (Chairman), Sat Pal Khattar and Kwek Leng Hai, two of whom are independent non-executive directors. The Board Audit Committee oversees the financial reporting process and the adequacy and effectiveness of the Company's system of internal controls.

The Board Audit Committee meets with the Company's external auditors and the internal auditor, and reviews the audit plans, the internal audit programme, the results of their examination and findings on their evaluation of the system of internal controls. It also reviews interests in contracts and connected transactions. The Board Audit Committee reviews the financial statements of the Company and the consolidated financial statements of the Group and the auditors' report thereon and submits them to the Board of Directors. There were three Board Audit Committee meetings held during the year.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice adopted by the Company based on the guidelines set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

INTEREST CAPITALISED

Interest capitalised during the year by the Group in respect of development properties amounted to approximately US\$28.1 million (2000: approximately US\$12.6 million).

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

Sale and purchase agreement

On 7 June 2001, Beijing Minghua Property Development Co, Ltd. ("Beijing Minghua"), a subsidiary of the Company entered into the following agreements in respect of the sale of certain units of Corporate Square, No.35 Financial Street, Xi Cheng District, Beijing, the People's Republic of China ("Corporate Square"):

- (a) a sale and purchase agreement was entered into between Beijing Minghua and inter alia, Beijing Huarong Property Co. Ltd. ("BHPC") as one of the joint purchasers for Unit 23, 11/F., Block B of Corporate Square for a consideration of US\$286,437; and
- (b) a sale and purchase agreement was entered into between Beijing Minghua and BHPC as purchaser for Units 24, 27 and 28, 11/F., Block B and 2 carparking spaces of the Corporate Square for an aggregate consideration of US\$929,539.

The sale of such units are in the ordinary and usual course of business of Beijing Minghua and the terms of the agreements were determined on normal commercial terms, fair and reasonable and in the best interests of the Company.

Beijing Minghua is a 75% owned subsidiary of Guoco Properties Limited ("GPL") which is owned as to 55% by the Company and 45% by FCC.

BHPC is a subsidiary of Beijing Huarong Investment Co. Ltd. ("Huarong") which is a substantial shareholder of Beijing Minghua. Pursuant to the Listing Rules, both of these sale and purchase agreements constitute connected transactions of the Company.

Service agreements

- 1 DHB Limited ("DHBL", a former subsidiary) has a management services agreement dated 27 September 1982 with Hong Leong Overseas (H.K.) Limited ("HLO"), under which in consideration of HLO providing certain management services to companies in the DHBL group, DHBL pays to HLO a fee calculated based on a percentage of pre-tax profits. Following the disposal of DHBG (the holding company of DHBL) on 29 June 2001, the earliest possible date on which the management services agreement can be terminated is 30 June 2002. To facilitate the transition, HLO and DHBL have agreed to extend the management services agreement with DHBL until 31 December 2002 on the same terms.
- 2 On 21 August 2001, the Company entered into a service agreement with HLO for the provision of certain services by HLO to the Company, its subsidiaries and associated companies from time to time but excluding DBS Diamond Holdings Ltd. and its subsidiaries. The services to be provided under the agreement include formulation of strategy and planning, overview of investment and financial management, treasury and risk management services and technical assistance with respect to operating practices and procedures, accounting and other services. The consideration for the services provided was fixed at HK\$100,000 per month (or such other amount as may be agreed from time to time between HLO and the Company) and an annual fee equal to three per cent. of the annual consolidated profits before tax of the Group for each financial year. The agreement is for a term of one year and shall be automatically renewable, on the same terms, for additional, consecutive terms of one year each unless either party provides written notice of at least six months.

The agreement replaced the previous services agreements between HLO and certain operating subsidiaries of the Group. The agreement was entered into in the ordinary course of business of the Company and the terms of the agreement were determined on an arms-length basis and were fair and reasonable so far as the shareholders of the Company are concerned.

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (CONT'D)

Service agreements (Cont'd)

HLO is an indirect wholly-owned subsidiary of HLCM, a substantial shareholder of the Company. Messrs Quek Leng Chan, Kwek Leng Hai and Kwek Leng San are directors interested in the agreement as shareholders and directors of HLCM.

- 3 Dao Heng Bank Limited ("DHB", a former subsidiary) entered into a service agreement in 1993 with Guoco Management Company Limited for the provision of various management, administrative, financial and legal services to companies in the Group on a cost reimbursement basis. Either party may terminate the agreement by giving not less than three months' notice in writing.

Loan to subsidiaries and associated companies

As at 30 June 2001, the Company and its 54.4% owned subsidiary, FCC had made interest free advances, for general funding purposes and on a pro rata basis, to GPL (a subsidiary which is 55% owned by the Company and 45% owned by FCC) in the aggregate amounts of US\$98.2 million and US\$80.4 million respectively.

As at 30 June 2001, GPL had made interest free advances, for general funding purposes, in the sums of US\$4.5 million, US\$6.7 million, US\$12.2 million and US\$8.5 million to its 90% owned subsidiaries, China Fine Development Limited, Top Known International Limited, Eagleman Development Limited and Superwell Properties Limited respectively. The balance of the share capital of these subsidiaries was held by a party not related to the Group.

As at 30 June 2001, GPL had made interest free advances of US\$91.7 million to Beijing Minghua. The balance of the share capital of Beijing Minghua was held by a party not related to the Group.

Others

DHB group and Hong Leong Bank Berhad ("HLBB") group have, from time to time, provided services to the Company and its connected persons (as defined in the Listing Rules) in the ordinary course of its banking business including, inter alia, loan advances, deposits, cheque clearing, remittance, the provision of account services in a variety of currencies, nominee and custodian services and occasionally short term credit accommodation. All services provided by DHB group and HLBB group are in the ordinary course of business and on normal commercial terms. Following the acceptance of offer made by DBS Diamond Holdings Ltd., DHB group of companies ceased to be subsidiaries of the Company on 29 June 2001.

The Group regularly conducts banking, investment, insurance, stockbroking and other activities in the ordinary course of business and on normal commercial terms with subsidiaries of, and companies related to, HLCM. Messrs Quek Leng Chan, Kwek Leng Hai and Kwek Leng San are directors interested in such transactions as shareholders and directors of HLCM.

Apart from the above, no contract of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company operates an executive share option scheme ("Scheme") enabling eligible employees, including directors of the Company, to acquire shares in the Company. Messrs Quek Leng Chan, Kwek Leng Hai, Sat Pal Khattar, Kwek Leng San, Tan Lim Heng, Harry Richard Wilkinson and the Company's former director, Mr Randolph Gordon Sullivan were granted options to subscribe for shares in the Company pursuant to the Scheme. During the year, Messrs Tan Lim Heng and Harry Richard Wilkinson acquired shares in the Company by exercising options.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (CONT'D)

DHBG operated a share option scheme ("DHBG Scheme") enabling eligible employees, including certain directors of the Company, to acquire shares in DHBG. Messrs Quek Leng Chan, Kwek Leng Hai, Sat Pal Khattar, Kwek Leng San, Harry Richard Wilkinson and the Company's former director, Mr Randolph Gordon Sullivan, were granted options to subscribe for shares in DHBG pursuant to the DHBG Scheme. During the year, Messrs Sat Pal Khattar and Harry Richard Wilkinson acquired shares in DHBG by exercising options. Subsequent to 30 June 2001, Messrs Quek Leng Chan, Kwek Leng Hai, Sat Pal Khattar, Kwek Leng San and Randolph Gordon Sullivan have exercised all their options.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Messrs Quek Leng Chan, Kwek Leng Hai and Kwek Leng San are also directors of HLCM, a substantial shareholder of the Company, which is one of the largest conglomerates based in Malaysia and is engaged in a diverse range of business, including financial services, manufacturing, property investment and development. Messrs Kwek Leng Hai and Tan Lim Heng are also directors of imGO Limited which is engaged in property investment in Hong Kong.

The above directors are considered as having interests in business apart from the Group's business, which is likely to compete, directly or indirectly, with the Group's business under paragraph 8.10 of the Listing Rules.

PROPERTIES

Particulars of the major development properties and investment properties of the Group are shown on pages 91 to 92.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws in Bermuda.

INVESTOR RELATIONS

The Company encourages two way communication with both its institutional and private investors. Extensive information about the Company's activities is provided in the Annual Report and the Interim Report which are sent to shareholders. There is regular dialogue with institutional investors. Enquiries from individuals on matters relating to their shareholdings and the business of the Company are welcome and are dealt with in an informative and timely manner.

In order to promote effective communication, the Company maintains its website of which financial and other information relating to the Group and its business are disclosed.

AUDITORS

A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

Kwek Leng Hai
President, CEO

Hong Kong, 12 October 2001



TO THE SHAREHOLDERS OF GUOCO GROUP LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the accounts on pages 36 to 90 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

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

OPINION

In our opinion, the accounts give a true and fair view of the state of the affairs of the Company and of the Group as at 30 June 2001 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants

Hong Kong, 12 October 2001

Consolidated Profit and Loss Account

For the year ended 30 June 2001

	Note	2001 US\$'000	2000 US\$'000 Restated	2001 HK\$'000 (Note 41)	2000 HK\$'000 Restated (Note 41)
Turnover					
Continuing operations	5 & 6	241,346	172,999	1,882,439	1,348,614
Discontinued operations	3, 5 & 6	1,284,623	1,221,398	10,019,738	9,521,408
	3, 5 & 6	1,525,969	1,394,397	11,902,177	10,870,022
Cost of property sales		(152,987)	(91,549)	(1,193,260)	(713,670)
Interest expenses of discontinued operations	3	(755,798)	(714,887)	(5,895,035)	(5,572,902)
Other attributable costs		(30,098)	(20,343)	(234,757)	(158,584)
		587,086	567,618	4,579,125	4,424,866
Other revenue	7(a)	2,127	2,280	16,590	17,774
Other net income/(loss)	7(b)	16,807	(7,160)	131,090	(55,816)
Administrative expenses		(259,255)	(234,102)	(2,022,124)	(1,824,942)
Other operating expenses		(3,418)	(5,568)	(26,660)	(43,405)
Provisions for bad and doubtful loans and advances for discontinued operations	3	(65,013)	(46,939)	(507,085)	(365,913)
Operating profit before finance cost		278,334	276,129	2,170,936	2,152,564
Finance cost for non-banking operations	5 & 9	(57,295)	(51,222)	(446,887)	(399,301)
Operating profit					
Continuing operations	5	(8,281)	(26,869)	(64,590)	(209,457)
Discontinued operations	3 & 5	229,320	251,776	1,788,639	1,962,720
		221,039	224,907	1,724,049	1,753,263
Profit on disposal of subsidiaries	3	2,901,384	–	22,630,070	–
(Provision)/write back for investments in subsidiaries, associates and jointly controlled entities		(325,485)	1,866	(2,538,702)	14,546
Provision for diminution in value of properties		(6,540)	(8,246)	(51,010)	(64,282)
Net profit on disposal of investment properties		–	31,620	–	246,494
Loss on deemed disposal of a subsidiary's property portfolio		–	(38,091)	–	(296,938)
Operating profit on ordinary activities		2,790,398	212,056	21,764,407	1,653,083
Share of profits less losses of associates	8	5,114	(377)	39,888	(2,939)
Share of profits less losses of jointly controlled entities		6,384	3,823	49,794	29,802
Profit from ordinary activities before taxation	8	2,801,896	215,502	21,854,089	1,679,946
Taxation	10(a)	(48,172)	(49,565)	(375,730)	(386,384)
Profit after taxation		2,753,724	165,937	21,478,359	1,293,562
Minority interests		(27,465)	(77,596)	(214,220)	(604,900)
Profit attributable to shareholders	14	2,726,259	88,341	21,264,139	688,662
Appropriations:					
2000 Final dividend paid	15	(30,100)	(27,498)	(234,647)	(213,316)
2001 Interim dividend paid	15	(10,941)	(8,235)	(85,326)	(63,995)
Retained profit for the year		2,685,218	52,608	20,944,166	411,351

Consolidated Profit and Loss Account

For the year ended 30 June 2001

	Note	2001 US\$'000	2000 US\$'000 Restated	2001 HK\$'000 (Note 41)	2000 HK\$'000 Restated (Note 41)
Retained in:					
The Company and its subsidiaries		2,687,058	61,522	20,958,518	480,841
Associates		(7,089)	(12,056)	(55,292)	(93,983)
Jointly controlled entities		5,249	3,142	40,940	24,493
		2,685,218	52,608	20,944,166	411,351
		US\$	US\$	HK\$	HK\$
Earnings per share					
Basic	16	6.39	0.21	49.83	1.61
Diluted	16	6.36	0.20	49.60	1.58
		US\$'000	US\$'000	HK\$'000	HK\$'000
Proposed final dividend	15	32,854	30,100	256,255	234,647

The notes on pages 44 to 90 form part of these accounts.

Consolidated Statement of Recognised Gains and Losses

For the year ended 30 June 2001

	2001 US\$'000	2000 US\$'000 Restated	2001 HK\$'000 (Note 41)	2000 HK\$'000 Restated (Note 41)
(Deficit)/surplus arising on revaluation of investment properties				
- subsidiaries	(3,491)	9,348	(27,229)	72,872
- an associate	10,891	43,580	84,947	339,728
Revaluation reserve realised on				
- deemed disposal of a subsidiary's investment property portfolio	—	6,485	—	50,554
- disposal of subsidiaries and associates	—	(55,062)	—	(429,236)
- disposal of an associate's investment properties	(4,850)	—	(37,829)	—
- (written back)/share of revaluation surplus of associates	(1,771)	1,771	(13,813)	13,806
Share of subsidiaries' and associates' capital reserves movement	(6,119)	13,020	(47,727)	101,497
Amounts realised on disposal of a subsidiary				
- other property revaluation reserve	(41,108)	—	(320,632)	—
- capital and other reserves	(145,066)	—	(1,131,479)	—
- contributed surplus	(17,704)	—	(138,087)	—
- general reserve	(54,887)	—	(428,105)	—
- net exchange reserve realised	21,640	—	168,787	—
Transfer of net dilution loss/(gain) to the consolidated profit and loss account	22,488	(1,745)	175,401	(13,603)
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	(22,700)	(23,575)	(177,054)	(183,779)
Net exchange difference on investments in subsidiaries and associates written off	183,309	—	1,429,764	—
Net losses not recognised in the consolidated profit and loss account	(59,368)	(6,178)	(463,056)	(48,161)
Group profit attributable to shareholders:				
As previous reported		96,526		752,468
Prior year adjustment arising from the change in accounting policy for goodwill		(8,185)		(63,806)
Group profit attributable to shareholders	2,726,259	88,341	21,264,139	688,662
Total recognised gains	2,666,891	82,163	20,801,083	640,501
Prior year adjustment arising from the change in accounting policy for goodwill:				
(a) Adjustment against the retained profits as at 1 July 1999		82,934		646,512
(b) Adjustment against the capital and other reserves as at 1 July 1999		94,799		739,006

The notes on pages 44 to 90 form part of these accounts.

Consolidated Balance Sheet

As at 30 June 2001

	Note	2001 US\$'000	2000 US\$'000 Restated	2001 HK\$'000 (Note 41)	2000 HK\$'000 Restated (Note 41)
NON-CURRENT ASSETS					
Investment properties	17	244,979	175,993	1,910,775	1,371,953
Fixed assets	18	8,467	654,361	66,040	5,101,071
Interest in associates	20	433,631	525,097	3,382,213	4,093,394
Interest in jointly controlled entities	21	(932)	4,822	(7,269)	37,590
Held-to-maturity securities and investment securities	22	82,379	87,540	642,536	682,418
		<u>768,524</u>	<u>1,447,813</u>	<u>5,994,295</u>	<u>11,286,426</u>
CURRENT ASSETS					
Development properties	23	637,921	802,854	4,975,624	6,258,648
Properties held for resale	24	75,347	101,685	587,688	792,685
Advances to customers less provisions		—	8,381,389	—	65,337,118
Other assets	25	55,248	366,378	430,921	2,856,100
Held-to-maturity securities and investment securities	22	—	3,253,165	—	25,360,048
Other investments in securities	26	1,406,375	364,077	10,969,373	2,838,162
Certificates of deposit held		—	75,482	—	588,420
Placements with banks and other financial institutions		—	1,366,783	—	10,654,757
Cash and short term funds	27	2,993,808	4,139,820	23,350,954	32,271,967
		<u>5,168,699</u>	<u>18,851,633</u>	<u>40,314,560</u>	<u>146,957,905</u>
CURRENT LIABILITIES					
Other payables and provision	28	209,312	1,878,931	1,632,581	14,647,208
Current portion of bank loans and other borrowings	29	699,168	276,388	5,453,336	2,154,583
Insurance funds		2,830	2,728	22,073	21,266
Deposits and balances of banks and other financial institutions		—	566,356	—	4,415,028
Current, fixed, savings and other deposits of customers		—	13,022,358	—	101,515,792
Certificates of deposits issued		—	905,747	—	7,060,751
Taxation	10(b)	13,167	43,900	102,699	342,222
		<u>924,477</u>	<u>16,696,408</u>	<u>7,210,689</u>	<u>130,156,850</u>
Net current assets		<u>4,244,222</u>	<u>2,155,225</u>	<u>33,103,871</u>	<u>16,801,055</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,012,746</u>	<u>3,603,038</u>	<u>39,098,166</u>	<u>28,087,481</u>

Consolidated Balance Sheet

As at 30 June 2001

	Note	2001 US\$'000	2000 US\$'000 Restated	2001 HK\$'000 (Note 41)	2000 HK\$'000 Restated (Note 41)
NON-CURRENT LIABILITIES					
Non-current portion of bank loans and other borrowings	30	640,502	1,315,825	4,995,755	10,257,514
Deferred taxation	31	7,017	2,027	54,731	15,801
		647,519	1,317,852	5,050,486	10,273,315
Minority interests	32	248,399	795,408	1,937,451	6,200,603
NET ASSETS		4,116,828	1,489,778	32,110,229	11,613,563
CAPITAL AND RESERVES					
Share capital	33	213,546	213,316	1,665,605	1,662,905
Reserves	34	3,903,282	1,276,462	30,444,624	9,950,658
		4,116,828	1,489,778	32,110,229	11,613,563

Approved by the Board of Directors on 12 October 2001

Kwek Leng Hai
James Eng, Jr.
Directors

The notes on pages 44 to 90 form part of these accounts.

Balance Sheet

As at 30 June 2001

	Note	2001 US\$'000	2000 US\$'000 Restated	2001 HK\$'000 (Note 41)	2000 HK\$'000 Restated (Note 41)
NON-CURRENT ASSETS					
Interest in subsidiaries	19	1,805,848	1,212,143	14,085,162	9,449,261
Interest in associates	20	11,412	38,692	89,011	301,623
		<u>1,817,260</u>	<u>1,250,835</u>	<u>14,174,173</u>	<u>9,750,884</u>
CURRENT ASSETS					
Other assets	25	574	40	4,477	312
Cash and short term funds	27	2,764,329	2	21,561,075	16
		<u>2,764,903</u>	<u>42</u>	<u>21,565,552</u>	<u>328</u>
CURRENT LIABILITIES					
Amount due to subsidiaries		598,029	604,690	4,664,477	4,713,861
Other payables and provision	28	40,760	454	317,916	3,539
Bank loans and overdrafts	29	14,914	26,914	116,325	209,808
Taxation	10(b)	27	27	211	210
		<u>653,730</u>	<u>632,085</u>	<u>5,098,929</u>	<u>4,927,418</u>
Net current assets/(liabilities)		<u>2,111,173</u>	<u>(632,043)</u>	<u>16,466,623</u>	<u>(4,927,090)</u>
NET ASSETS		<u>3,928,433</u>	<u>618,792</u>	<u>30,640,796</u>	<u>4,823,794</u>
CAPITAL AND RESERVES					
Share capital	33	213,546	213,316	1,665,605	1,662,905
Reserves	34	3,714,887	405,476	28,975,191	3,160,889
		<u>3,928,433</u>	<u>618,792</u>	<u>30,640,796</u>	<u>4,823,794</u>

Approved by the Board of Directors on 12 October 2001

Kwek Leng Hai
James Eng, Jr.
Directors

The notes on pages 44 to 90 form part of these accounts.

Consolidated Cash Flow Statement

For the year ended 30 June 2001

	Note	2001 US\$'000	2000 US\$'000 Restated
NET CASH INFLOW FROM OPERATING ACTIVITIES	35(a)	1,091,945	1,475,375
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		7,393	8,476
Interest paid		(86,740)	(79,500)
Dividends received on equity investments		6,225	1,740
Dividends received from associates		4,650	1,061
Dividends paid to minority shareholders		(39,888)	(36,006)
Dividends paid		(41,041)	(35,733)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(149,401)	(139,962)
TAXATION			
Hong Kong Profits Tax paid		(16,223)	(31,578)
Hong Kong Profits Tax refunded		154	–
Overseas tax paid		(15,942)	(37,046)
TAX PAID		(32,011)	(68,624)
INVESTING ACTIVITIES			
Purchase of held-to-maturity securities and investment securities		(1,314,296)	(2,330,190)
Purchase of interest in a jointly controlled entity		(528)	(411)
Purchase of interest in associates		(7,441)	(1,902)
Purchase of interest in subsidiaries	35(f)	(14,425)	–
Net advance to associates		(9,593)	(25,796)
Net repayment from jointly controlled entities		21,804	8,850
Proceeds from disposal of associates		–	4,197
Proceeds from disposal of held-to-maturity securities and investment securities		2,036,206	386,722
Purchase of fixed assets		(23,671)	(29,803)
Proceeds from sale of fixed assets		3,739	20,314
Purchase of investment properties		(9,448)	(25)
Proceeds from sale of investment properties		–	101,309
Proceeds from sale of interest in subsidiaries	35(e)	(4,103,269)	–
Reduction of cash on deemed disposal of a subsidiary		–	(1,315)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(3,420,922)	(1,868,050)
NET CASH OUTFLOW BEFORE FINANCING		(2,510,389)	(601,261)

Consolidated Cash Flow Statement

For the year ended 30 June 2001

	Note	2001 US\$'000	2000 US\$'000 Restated
FINANCING	35(b)		
Redemption of preference shares by a subsidiary		–	(116,760)
New issue of ordinary shares		1,200	–
Ordinary and preference shares issued to minority shareholders		11,213	4,013
Redemption of certificates of deposit		(389,472)	(807,914)
Issuance of certificates of deposit		308,920	754,923
Short term bank loans		188,755	(67,893)
Other short term borrowings		(117,155)	(47,029)
Long term bank loans repayable within 5 years		(17,471)	56,904
Long term notes and bonds		71,311	48,333
NET CASH INFLOW/(OUTFLOW) FROM FINANCING		57,301	(175,423)
DECREASE IN CASH AND CASH EQUIVALENTS		(2,453,088)	(776,684)
EFFECT OF FOREIGN EXCHANGE RATE		26,508	8,555
CASH AND CASH EQUIVALENTS AS AT 1 JULY	35(c)	5,420,388	6,188,517
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	35(c)	2,993,808	5,420,388

The notes on pages 44 to 90 form part of these accounts.

Notes on the Accounts

(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 accounts 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 accounts of the Company and the Group have opted to early adopt SSAP 9 (revised) “Events after the balance sheet date” (“SSAP 9”), SSAP 28 “Provisions, contingent liabilities and contingent assets”, SSAP 30 “Business combinations” (“SSAP 30”), SSAP 31 “Impairment of assets” and SSAP 32 “Consolidated financial statements and accounting for investments in subsidiaries”.

(b) Basis of consolidation

The consolidated accounts incorporate the accounts 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.

Goodwill arising on consolidation represents the excess of the cost of investment over the fair value of the Group’s share of the net assets of subsidiaries, associates and jointly controlled entities acquired. Goodwill arising on each acquisition of subsidiaries, associates and jointly controlled entities 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.

(c) Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost modified by the revaluation of investment properties and land and buildings, and the marking to market of certain investments in securities as explained in the accounting policies set out below.

2. PRINCIPAL 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 profit and loss account 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(a) Revenue recognition (Cont'd)

- (ii) Fee income and expense from banking operations are recognised when earned or incurred except where the fee is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the fee is recognised on an appropriate basis over the relevant period. Other service fee income is recognised based on the stage of completion of the service rendered.
- (iii) Dividend income is recognised as follows:
 - dividends from non listed 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.
- (iv) Revenue on the disposal of development properties is recognised in the accounts 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.
- (v) 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.
- (vi) Rental income from operating leases is recognised on a straight line basis over the period of the respective leases.
- (vii) Commission and brokerage income in respect of securities trading is recognised on the contractual completion of trades.
- (viii) 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%

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(b) Investments

(i) Investment in securities

Investments in debt and equity securities, except those held either solely for the purpose of recovering advances or, as investments in subsidiaries, associates or jointly controlled entities, are accounted for as follows:

Investments in securities are classified as held-to-maturity securities, 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.

Held-to-maturity securities

Investments in dated debt securities which the Group has expressed the intention and ability to hold to maturity, are stated in the balance sheet at cost adjusted for the amortisation of premiums or discounts arising on acquisition, less any provisions for diminution in value which is other than temporary.

The carrying amounts of held-to-maturity securities are reviewed as at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised as an expense in the profit and loss account.

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 profit and loss account.

Other investments

Other securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account 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.

Provisions against the carrying value of held-to-maturity securities and 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.

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 profit and loss account as they arise.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(b) Investments (Cont'd)

(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 provision for diminution in value which is other than temporary as determined by the directors.

(iii) Interest in associates

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.

The consolidated profit and loss account includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interest in associates is accounted under the equity method and is stated at cost, less amortised goodwill, and adjusted for the post acquisition change in the Group's share of the associates' net assets.

(iv) Interest in jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual agreement whereby the Group or Company 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 profit and loss account includes the Group's share of the post-acquisition results of its jointly controlled entities for the year. In the consolidated balance sheet, interest in jointly controlled entities is accounted for under the equity method and is stated at cost, less amortised goodwill, and adjusted for the post acquisition change in the Group's share of the jointly controlled entities' net assets.

(c) Fixed assets and depreciation

- (i) In preparing these accounts, advantage has been taken of the transitional provisions set out in paragraph 72 of SSAP 17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants in July 1995, with the effect that premises have not been revalued to fair value at the balance sheet date.

The Group's premises are included at directors' valuation made having regard to independent professional valuations carried out in 1993. Surplus arising on revaluation is credited to the revaluation reserve. Additions to revalued premises made subsequent to the revaluation are included at cost. Premises which have not been the subject of a revaluation are included at cost.

The carrying amount of fixed assets is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised as an expense, unless it reverses a previous revaluation increase in which case it is charged directly against any related revaluation reserve to the extent that the reduction does not exceed the amount held in the revaluation reserve in respect of the same item. In determining the recoverable amount, expected future cash flows generated by the fixed assets are not discounted to their present value.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(c) Fixed assets and depreciation (Cont'd)

A subsequent increase in the recoverable amount of an asset carried at depreciated cost is written back to the profit and loss account when the circumstances and events that led to the write-down or write-off cease to exist. Any subsequent increase in the recoverable amount of an asset carried at valuation is credited firstly to the profit and loss account to the extent of any deficit previously charged to the profit and loss account in respect of that same asset, and is thereafter taken to the revaluation reserve.

- (ii) Premises are stated at cost or valuation less depreciation 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 depreciation calculated on a straight line basis to write off the assets over their estimated useful lives, taken as being between 3 to 10 years.

- (iii) On disposal of fixed assets, the profit or loss is determined as the difference between the net sale proceeds and the carrying amount. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

(d) Investment properties

Investment properties with an unexpired lease terms of more than 20 years are stated in the balance sheet 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 profit and loss account.

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 profit and loss account for the year.

(e) Properties held for resale

Properties held for resale 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.

(f) Development properties

Development properties are stated at cost less any provisions for diminution 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(g) 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 joint ventures; 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.

(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 credited to the profit and loss account 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.

(h) Borrowing costs

Borrowing costs are expensed in the profit and loss account 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.

(i) Finance leases and hire purchase transactions

Leases under which substantially all the risks and benefits of ownership are transferred to lessees are classified as finance lease. Where leases are leased out under finance lease, an amount representing the net investment in the lease is included in the balance sheet as advances to customers. Finance income implicit in the lease payments is credited to the profit and loss account over the period of the leases so to produce a constant periodic rate of return on the outstanding net investment in the leases for each accounting period. Contingent rentals are recognised as income in the accounting period in which they are receivable.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(j) Operating leases

Payments under operating leases are charged to the profit and loss account on a straight line basis over the periods of the respective leases.

(k) Provisions for bad and doubtful loans and advances

Specific provisions are made for bad and doubtful loans and advances as and when they are so considered by the directors. In addition, amounts have been set aside as general provisions for doubtful loans and advances. The specific element relates to individual accounts; the general element relates to other exposures not separately identified but known from experience to exist in any portfolio of banking facilities. When there is no longer any realistic prospect of recovery, the outstanding loan is written off.

Interest on bad and doubtful loans and advances is credited to a suspense account which is netted in the balance sheet against the relevant balances.

(l) Long term notes and bonds issued

Long term notes and bonds are stated at their principal amounts plus unamortised premium. The premium arising from the issue of the notes and bonds is deferred and amortised on a straight line basis over the repayment period of the notes and bonds.

(m) 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.

(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 accounts 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 profit and loss account with the exception of those arising on the translation of foreign currency accounts of subsidiaries, associates and jointly controlled entities which are dealt with in reserves.

(o) 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(p) Staff retirement scheme

The Group operates a defined contribution provident fund scheme (the “Scheme”) for its wholly own subsidiaries incorporated in Hong Kong, and the contributions thereto are charged to the profit and loss account for the year. With the introduction of Mandatory Provident Fund (“MPF”), the Group has wound up the Scheme with effect from 1 December 2000. The Group has set up a MPF scheme by participating in a master trust scheme provided by a subsidiary of the Company to comply with the requirements under the MPF legislation. Contributions and accrued benefits under the Scheme as at 30 November 2000 were transferred to the Employer's Voluntary Contribution Account of the Dao Heng MPF Master Trust Plan.

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 profit and loss account for the year.

(q) 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 profit and loss account 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”.

(r) Related parties

For the purposes of these accounts, 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.

(s) 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 off advances from banks repayable within three months from the date of the advance.

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	2000	2001	2000
	\$'000	\$'000	\$'000	\$'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			(57,295)	(51,222)
			<u>(8,281)</u>	<u>(26,869)</u>
Banking and financing (discontinued operations)	1,284,623	1,221,398	229,320	251,776
	<u>1,525,969</u>	<u>1,394,397</u>	<u>221,039</u>	<u>224,907</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	2000
	\$'000	\$'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	2000
	\$'000	\$'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>

8. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	The Group	
	2001	2000
	\$'000	\$'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
	20,279	19,213
	(1,304)	(952)
Net rental income	18,975	18,261
Share of profits less losses of associates:		
Listed	27,869	14,181
Unlisted	(22,755)	(14,558)
	5,114	(377)

9. FINANCE COST FOR NON-BANKING OPERATIONS

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

Notes:

- This excludes the interest expenses of the banking operations.
- 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	2000
	\$'000	\$'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	2000	2001	2000
	\$'000	\$'000	\$'000	\$'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	571	3,152	—	—

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	2000
	\$'000	\$'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	2000
\$	Number of individuals	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	2000	2001	2000
	\$'000	\$'000	\$'000	\$'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.

15. DIVIDENDS

	The Group and the Company	
	2001	2000
	\$'000	\$'000
2000: Final dividend paid of HK\$0.55 per share (1999: HK\$0.50 per share)	30,100	27,498
2001: Interim dividend paid of HK\$0.20 per share (2000: HK\$0.15 per share)	10,941	8,235
	41,041	35,733
2001: Proposed final dividend of HK\$0.60 per share (2000: HK\$0.55 per share)	32,854	30,100

The proposed final dividend for the year ended 30 June 2001 of \$32,854,000 is calculated based on 427,091,086 ordinary shares in issue as at 30 June 2001.

Under the share repurchase program that was announced on 8 September 2001, all successfully tendered shares will not receive any final dividend to be declared for the financial year ended 30 June 2001.

16. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of \$2,726,259,000 (2000 as restated: \$88,341,000) and the weighted average number of 426,711,908 ordinary shares (2000: 426,631,086 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 \$2,725,990,000 (2000 as restated: \$86,743,000) and the weighted average number of 428,679,403 ordinary shares (2000: 426,631,086 ordinary shares) in issue during the year after adjusting for the effect of all dilutive potential ordinary shares.

(c) Reconciliations

	2001	2000
	Number	Number
	of shares	of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	426,711,908	426,631,086
Deemed issue of ordinary shares under share option scheme	1,967,495	–
Weighted average number of ordinary shares used in calculating diluted earnings per share	428,679,403	426,631,086

17. INVESTMENT PROPERTIES

	The Group	
	2001	2000
	\$'000	\$'000
At valuation:		
As at 1 July	175,993	484,960
Additions	–	25
Transfer from development properties	98,394	–
Transfer to properties held for resale (Note 24)	–	(53,941)
Transfer to fixed assets	–	(61,706)
Disposals		
– through deemed disposal of a subsidiary's investment property portfolio	–	(54,722)
– others	–	(142,708)
(Deficit)/surplus on revaluation	(20,814)	9,348
Exchange adjustments	(8,594)	(5,263)
As at 30 June	244,979	175,993

All the Group's investment properties are located in Singapore. One investment property was valued based on the committed selling price. Others were valued on an open market basis 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 as at 30 June 2001.

Certain of the Group's investment properties with a book value of \$122.1 million (2000: \$46.8 million) were pledged to banks to secure banking facilities granted to the Group.

18. FIXED ASSETS

		The Group	
	Freehold and leasehold premises \$'000	Furniture, fixtures and equipment \$'000	Total \$'000
Cost or valuation:			
As at 1 July	646,336	104,382	750,718
Additions	6,101	17,570	23,671
Disposals			
– through disposal of subsidiaries	(642,049)	(109,589)	(751,638)
– others	(1,762)	(3,534)	(5,296)
Transfer between categories	(1,890)	1,890	–
Exchange adjustments	(690)	(961)	(1,651)
As at 30 June	6,046	9,758	15,804
Accumulated depreciation:			
As at 1 July	37,931	58,426	96,357
Charge for the year	14,119	18,562	32,681
Written back			
– through disposal of subsidiaries	(49,879)	(67,571)	(117,450)
– others	(463)	(3,116)	(3,579)
Transfer between categories	(62)	62	–
Exchange adjustments	(168)	(504)	(672)
As at 30 June	1,478	5,859	7,337
Net book value:			
As at 30 June 2001	4,568	3,899	8,467
As at 30 June 2000	608,405	45,956	654,361

Notes on the Accounts

18. FIXED ASSETS (CONT'D)

The analysis of net book value of freehold and leasehold premises is as follows:

	The Group	
	2001	2000
	\$'000	\$'000
In Hong Kong:		
– Leasehold with over 50 years unexpired	60	184,137
– Leasehold with between 10 to 50 years unexpired	4,407	406,463
– Leasehold with less than 10 years unexpired	87	125
Outside Hong Kong:		
– Freehold	–	8,650
– Leasehold with over 50 years unexpired	–	334
– Leasehold with between 10 to 50 years unexpired	–	8,680
– Leasehold with less than 10 years unexpired	14	16
	4,568	608,405

The analysis of cost and valuation of freehold and leasehold premises is as follows:

	The Group	
	2001	2000
	\$'000	\$'000
At cost	6,046	352,159
At directors' valuation in October 1993	–	294,177
	6,046	646,336

19. INTEREST IN SUBSIDIARIES

	The Company	
	2001	2000
	\$'000	\$'000
Listed shares, at cost	–	344,671
Unlisted shares, at cost	13,546	24,546
Amounts due from subsidiaries		
– loans	1,792,302	834,812
– deposits	–	8,114
	1,805,848	1,212,143
Market value of listed shares	–	2,198,895

19. 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

19. 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 Company	Group	Principal activities
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
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
Chelford Pte Ltd	2 shares of S\$1 each	–	54	Investment holding
Deyrolle Pte Ltd	2 shares of S\$1 each	–	54	Investment holding
Da Zhong Investment Pte Limited (Note (i))	4,000,000 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	38,000,000 shares of S\$1 each	–	54	Property development
First Capital Corporation Ltd	368,706,476 shares of S\$1 each	–	54	Investment holding
First Capital Development Pte Ltd	1,000,000 shares of S\$1 each	–	54	Property investment

19. 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 Company	Group	Principal activities
First Cavendish Development Pte Ltd	23,400,000 shares of S\$1 each	–	54	Property development
First Capital Fund Management Pte Ltd	1,000,000 shares of S\$1 each	–	54	Fund management and advisory services
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
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
First Capital Property Management Pte Ltd	2 shares of S\$1 each	–	54	Property management, marketing and maintenance services

19. 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 Company Group		Principal activities
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	–	44	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 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
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

19. 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	
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
Rivoldo 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

19. 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	RMB 200,000,000 (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	British Virgin Islands	2 shares of US\$1 each	100	–	Fund management
Fresco Resources 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
Guoco Securities (Philippines), Inc.	Philippines	500,000 shares of P100 each	–	100	Stockbroking
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
Reservoir Resources Limited (Note (iii))	British Virgin Islands	1 share of US\$1 each	100	–	Investment holding
Suzhou China Fine Real Estate Development Co., Ltd. (Note (i))	People's Republic of China	RMB 22,468,709 (Note (ii))	–	71	Property development
Suzhou Superwell Real Estate Development Co., Ltd. (Note (i))	People's Republic of China	RMB 20,223,347 (Note (ii))	–	71	Property development

Notes on the Accounts

19. 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
Suzhou Top Known Real Estate Development Co., Ltd. (Note (i))	People's Republic of China	RMB 36,292,454 (Note (ii))	–	71	Property development
Suzhou Eagleman Real Estate Development Co., Ltd. (Note (i))	People's Republic of China	RMB 39,869,392 (Note (ii))	–	71	Property development
Shanghai Hao Cheng Property Co., Ltd. (Note (i))	People's Republic of China	RMB 58,387,873 (Note (ii))	–	75	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	–	53	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.

20. INTEREST IN ASSOCIATES

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Unlisted shares, at cost	–	–	11,412	38,649
Share of net assets				
– Listed shares, Hong Kong	68,009	67,384	–	–
– Listed shares, overseas	344,633	360,201	–	–
– Unlisted	33,063	41,805	–	–
Goodwill	–	3,680	–	–
Amounts due from associates	63,271	61,927	–	43
	508,976	534,997	11,412	38,692
Less: Provision	(75,345)	(9,900)	–	–
	433,631	525,097	11,412	38,692

20. INTEREST IN ASSOCIATES (CONT'D)

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 Company Group		Principal activities
Benchmark Group PLC	United Kingdom	121,700,846 shares of 50 pence each	–	19	Property investment and development
Camerlin (BVI) Limited (Note (i))	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
First Capital Property Ventures Pte Ltd	Singapore	100 shares of S\$1 each	–	19	Investment holding
Guoco Holdings (Philippines), Inc.	Philippines	2,367,149,383 shares of P1 each	–	37	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	447,332,660 shares of M\$1 each	–	21	Investment holding
imGO Limited	Hong Kong	3,051,438,765 shares of HK\$0.5 each	–	21	Property investment and investment holding
Pepsi-Cola Products Philippines, Inc.	Philippines	3,312,989,386 shares of P1 each	–	39	Manufacturing
Stockton Investments Pte Ltd	Singapore	10,000 shares of S\$1 each	–	21	Investment holding
Tiara Investment Holdings Limited (Note (ii))	Mauritius	6,500,000 shares of US\$1 each	–	22	Investment holding

Notes:

- (i) The company is operating in Malaysia.
- (ii) The company is operating in India.

21. INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2001	2000
	\$'000	\$'000
Share of net assets – unlisted	(932)	4,822
Amounts due from jointly controlled entities	72,409	–
	71,477	4,822
Less: Provision	(72,409)	–
	(932)	4,822

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.

22. HELD-TO-MATURITY SECURITIES AND INVESTMENT SECURITIES

		The Group					
					2000		
	Non-current	2001	Total	Non-current	Current	Total	
	\$'000	Current	\$'000	\$'000	\$'000	\$'000	
(a) Held-to-maturity securities							
Listed							
– In Hong Kong	–	–	–	–	236,212	236,212	
– Outside Hong Kong	–	–	–	–	1,430,095	1,430,095	
	–	–	–	–	1,666,307	1,666,307	
Unlisted	–	–	–	–	1,572,867	1,572,867	
Total held-to-maturity securities	–	–	–	–	3,239,174	3,239,174	
(b) Investment securities							
Debt securities							
– Listed outside Hong Kong	–	–	–	–	5,588	5,588	
– Unlisted	–	–	–	–	6,599	6,599	
	–	–	–	–	12,187	12,187	
Equity securities							
Listed							
– In Hong Kong	–	–	–	358	–	358	
– Outside Hong Kong	75,944	–	75,944	80,832	17	80,849	
	75,944	–	75,944	81,190	17	81,207	
Unlisted	6,435	–	6,435	6,350	1,787	8,137	
	82,379	–	82,379	87,540	1,804	89,344	
Total investment securities	82,379	–	82,379	87,540	13,991	101,531	
Total held-to-maturity securities and investment securities	82,379	–	82,379	87,540	3,253,165	3,340,705	
Market value of listed securities							
– Debt securities	–	–	–	–	1,671,082	1,671,082	
– Equity securities	109,204	–	109,204	131,220	1,789	133,009	
	109,204	–	109,204	131,220	1,672,871	1,804,091	

22. HELD-TO-MATURITY SECURITIES AND INVESTMENT SECURITIES (CONT'D)

	The Group	
	2001	2000
	\$'000	\$'000
Issued by:		
Central governments and central banks	—	580,567
Public sector entities	—	546,526
Banks and other financial institutions	—	2,070,520
Corporate entities	82,312	142,424
Others	67	668
	82,379	3,340,705

In addition, certain listed investment securities with total carrying value of \$66.3 million (2000: \$70 million) were pledged with a bank to secure short-term bank loan facilities.

23. DEVELOPMENT PROPERTIES

	The Group	
	2001	2000
	\$'000	\$'000
Cost as at 30 June	976,725	1,043,629
Less: Attributable loss	(33,551)	(32,880)
Less: Provision for foreseeable loss	(108,892)	(91,476)
Less: Progress instalments received and receivable	(196,361)	(116,419)
	637,921	802,854

The amount of development properties expected to be recovered after more than one year is \$504,391,000 (2000: \$180,174,000).

Certain of the Group's development properties with an original book value of \$647.3 million (2000: \$784.3 million) are under legal mortgages with banks.

24. PROPERTIES HELD FOR RESALE

	The Group	
	2001	2000
	\$'000	\$'000
As at 1 July	101,685	–
Disposals	(64,531)	–
Transfer from investment properties (Note 17)	–	53,941
Transfer from development properties	–	94,325
	37,154	148,266
Less: Written back/(provision) for foreseeable loss	38,193	(46,581)
As at 30 June	75,347	101,685

25. OTHER ASSETS

	The Group		The Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Accrued interest	512	140,085	513	–
Other accounts	54,736	226,293	61	40
	55,248	366,378	574	40

Included in other accounts of the Group and the Company are amounts of \$1,335,000 (2000: \$6,673,000) and \$Nil (2000: \$Nil) respectively which are expected to be recovered after more than one year.

26. OTHER INVESTMENTS IN SECURITIES

	The Group	
	2001	2000
	\$'000	\$'000
Debt securities		
Listed		
– In Hong Kong	510	57,643
– Outside Hong Kong	1,850	4,142
	2,360	61,785
Unlisted	13,495	173,493
	15,855	235,278
Equity securities		
Listed		
– In Hong Kong	21,795	29,887
– Outside Hong Kong (Note (a))	149,466	98,142
	171,261	128,029
Unlisted (Note (b))	1,219,259	770
	1,390,520	128,799
	1,406,375	364,077
Market value of other listed investments in securities		
– Debt securities	2,360	61,785
– Equity securities	171,261	128,029
	173,621	189,814
Issued by:		
Central governments and central banks	–	31,429
Public sector entities	1,304	124,589
Banks and other financial institutions	29,142	78,394
Corporate entities	1,375,929	129,665
	1,406,375	364,077

Notes:

- (a) Certain listed equity securities with total carrying value of \$75.4 million (2000: Nil) were pledged with a bank to secure short-term bank loan facilities.
- (b) It represents \$1,219 million of equity investment in DBS Diamond Holdings Limited received on the disposal of a former subsidiary.

27. CASH AND SHORT TERM FUNDS

	The Group		The Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Cash and balances with banks and other financial institutions	2,993,808	326,350	2,764,329	2
Money at call and short notice	–	1,899,030	–	–
Treasury bills (including Exchange Fund Bills)	–	1,914,440	–	–
	<u>2,993,808</u>	<u>4,139,820</u>	<u>2,764,329</u>	<u>2</u>

28. OTHER PAYABLES AND PROVISION

	The Group		The Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Other payables and provision	209,288	1,803,050	40,760	454
Amounts due to associates	24	23	–	–
Amounts due to jointly controlled entities	–	75,858	–	–
	<u>209,312</u>	<u>1,878,931</u>	<u>40,760</u>	<u>454</u>

Included in other payables of the Group and the Company are amounts of \$11,370,000 (2000: \$4,892,000) and \$7,669,000 (2000: \$269,000) respectively which are expected to be settled after more than one year.

29. CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

At 30 June 2001, the current portion of bank loans and other borrowings are as follows:

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Bank loans				
– secured (note (a))	134,731	95,215	–	–
– unsecured	302,156	62,187	14,914	26,914
	436,887	157,402	14,914	26,914
Unsecured short-term notes	–	37,486	–	–
Unsecured floating rate notes (note (b))	180,000	–	–	–
Unsecured long term notes and bonds repayable within 1 year (note (c))	82,281	81,500	–	–
	699,168	276,388	14,914	26,914

Notes:

- (a) The bank loans are secured by the following:
- legal mortgages on investment properties (Note 17);
 - legal mortgages on development properties (Note 23);
 - certain long-term equity investments (Note 22); and
 - securities with a total market value of approximately \$17 million (2000: \$35 million). The securities pledged were not the assets of the Group and were held as collateral against secured facilities provided by a subsidiary to its margin customers. The Group has obtained written authorisations from the owners to pledge their securities for loans utilised by the Group to provide margin finance facilities to its customers.
- (b) The floating rate notes are due in October 2001 with interest rate of 0.8% p.a. above the London Interbank Offer Rate and are guaranteed by the Company.
- (c) The S\$150 million (approximately \$82.3 million) unsecured fixed rate bonds due 2002 were issued on 2 September 1997 at face value with fixed interest rate at 5.35% p.a. Subsequent to the end of the financial year, S\$45.5 million (approximately \$25 million) of the Bonds were repurchased and cancelled. The balance S\$104.5 million (approximately \$57.3 million) were redeemed on 3 September 2001.

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

	The Group	
	2001	2000
	\$'000	\$'000
Bank loans		
– secured (Note 29 (a))	365,360	386,776
– unsecured	151,720	346,136
	<u>517,080</u>	<u>732,912</u>
Long term notes and bonds		
– 7.75% Subordinated Notes	–	261,620
– Unsecured medium term notes	95,995	25,952
– Unsecured fixed rate bonds (Note)	27,427	115,341
– Unsecured floating rate notes	–	180,000
	<u>123,422</u>	<u>582,913</u>
	<u>640,502</u>	<u>1,315,825</u>

Note: The S\$50 million (approximately \$27.4 million) unsecured fixed rate bonds due 2002 were issued on 7 July 1999 as face value with fixed interest rate at 6.875% p.a. The bonds are redeemable at 100% of their principal amount on 7 July 2002.

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

	The Group			The Group		
	2001			2000		
	Bank Loans	Other borrowings	Total	Bank loans	Other borrowings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
On demand or within 1 year	436,887	262,281	699,168	157,402	118,986	276,388
After 1 year but within 2 years	237,776	63,082	300,858	152,195	180,000	332,195
After 2 years but within 5 years	279,304	60,340	339,644	580,717	141,293	722,010
After 5 years	–	–	–	–	261,620	261,620
	<u>517,080</u>	<u>123,422</u>	<u>640,502</u>	<u>732,912</u>	<u>582,913</u>	<u>1,315,825</u>
	<u>953,967</u>	<u>385,703</u>	<u>1,339,670</u>	<u>890,314</u>	<u>701,899</u>	<u>1,592,213</u>

31. DEFERRED TAXATION

	The Group	
	2001	2000
	\$'000	\$'000
As at 1 July	2,027	8,796
Amount charged/(written back) during the year (Note 10 (a))	5,003	(4,881)
Disposal of a subsidiary's investment property	–	(1,845)
Exchange adjustments	(13)	(43)
As at 30 June	7,017	2,027

- (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	
	2001	2000
	\$'000	\$'000
Depreciation allowances in excess of depreciation charges	(219)	(5,823)
General provisions for bad and doubtful loans and advances	–	16,694
Tax losses	54,893	48,802
Provision for foreseeable loss	21,379	17,779
Others	–	1,926
	76,053	79,378

The surplus arising on the revaluation of premises does not constitute a timing difference as the disposal of these assets at their carrying value would result in capital gains which are not subject to tax.

- (iii) No provision for deferred taxation has been made in the accounts 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.

32. MINORITY INTERESTS

Minority interests include the interests of preference shareholders in subsidiaries of \$4,177,000 (2000: \$4,433,000).

33. SHARE CAPITAL

	The Group and the Company			
	2001	2001	2000	2000
	No. of shares		No. of shares	
	(‘000)	\$’000	(‘000)	\$’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	426,631	213,316	426,631	213,316
Share issued under Share Option Scheme	460	230	–	–
As at 30 June	427,091	213,546	426,631	213,316

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 Company. 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, 460,000 (2000: Nil) share options were exercised to subscribe for 460,000 (2000: Nil) shares in the Company at a consideration (net of charges) of \$1,200,000 (2000: \$Nil) of which \$230,000 (2000: \$Nil) was credited to share capital and the balance of \$970,000 (2000: \$Nil) was credited to the share premium account. Pursuant to the rules of the Scheme, a total of 200,000 share options were lapsed during the year. At 30 June 2001, 9,140,000 share options were outstanding (2000: 9,800,000 share options).

34. RESERVES

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
(a) Share premium				
As at 1 July	235,122	235,122	235,122	235,122
Shares issued under Share Option Scheme	970	–	970	–
As at 30 June	236,092	235,122	236,092	235,122
(b) Investment property revaluation reserve				
As at 1 July	25,429	8,114	–	–
(Deficit)/surplus arising on revaluation of investment properties from				
– subsidiaries	(3,491)	9,348	–	–
– an associate	10,891	43,580	–	–
Transfer to other property revaluation reserve	–	13,551	–	–
Realised on				
– deemed disposal of a subsidiary's investment property portfolio	–	6,485	–	–
– disposal of subsidiaries and associates	–	(55,062)	–	–
– disposal by an associate	(4,850)	–	–	–
Exchange adjustments	(1,581)	(587)	–	–
As at 30 June	26,398	25,429	–	–
(c) Other property revaluation reserve				
As at 1 July	42,909	64,426	–	–
Transfer from investment property revaluation reserve	–	(13,551)	–	–
Transfer to retained profits on disposal of fixed assets	–	(9,468)	–	–
(Written back)/share of revaluation surplus of associates	(1,771)	1,771	–	–
Realised on disposal of a subsidiary	(41,108)	–	–	–
Exchange adjustments	(30)	(269)	–	–
As at 30 June	–	42,909	–	–

Notes on the Accounts

34. RESERVES (CONT'D)

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
(d) Capital and other reserves				
As at 1 July	71,271	56,074	—	—
Restatement of goodwill (Note 4(b))	94,799	94,799	—	—
As restated	166,070	150,873	—	—
Share of subsidiaries' and associates' capital reserves movement	(6,119)	13,020	—	—
Transfer of net dilution loss/(gain) to consolidated profit and loss account	22,488	(1,745)	—	—
Transfer from retained profits of subsidiaries and associates	9,072	4,220	—	—
Realised on disposal of a subsidiary	(145,066)	—	—	—
Exchange adjustments	(584)	(298)	—	—
As at 30 June	45,861	166,070	—	—
(e) Contributed surplus				
As at 1 July	36,121	36,121	14,439	14,439
Realised on disposal of a subsidiary	(17,704)	—	—	—
As at 30 June	18,417	36,121	14,439	14,439
(f) General reserve				
As at 1 July	131,929	131,929	77,042	77,042
Realised on disposal of a subsidiary	(54,887)	—	—	—
As at 30 June	77,042	131,929	77,042	77,042
(g) Exchange differences on translation of net investments in subsidiaries and associates				
As at 1 July	(178,428)	(156,007)	6,744	6,744
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	(20,505)	(22,421)	(6,744)	—
Exchange difference on investments in subsidiaries and associates written off	183,309	—	—	—
Realised on disposal of a subsidiary	21,640	—	—	—
As at 30 June	6,016	(178,428)	—	6,744

Notes on the Accounts

34. RESERVES (CONT'D)

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
(h) Retained profits				
As at 1 July	878,329	814,890	106,318	85,640
Amortisation of restated goodwill (Note 4(b))	(91,119)	(82,934)	–	–
Final dividend receivable restated	–	–	(64,289)	(44,855)
Proposed final dividend restated (Note 4(a))	30,100	27,498	30,100	27,498
As restated	817,310	759,454	72,129	68,283
Transfer to capital reserve by subsidiaries and associates	(9,072)	(4,220)	–	–
Transfer from other property revaluation reserve on disposal of fixed assets	–	9,468	–	–
Retained profit for the year	2,685,218	52,608	3,315,185	3,846
As at 30 June	3,493,456	817,310	3,387,314	72,129
Total reserves	3,903,282	1,276,462	3,714,887	405,476

	The Group	
	2001 \$'000	2000 \$'000
Retained in		
– Company and subsidiaries	3,864,279	1,227,105
– Associates	39,601	46,916
– Jointly controlled entities	(598)	2,441
	3,903,282	1,276,462

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 difference account, 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 2001 amounted to \$3,478,795,000 (2000: \$170,354,000).

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	The Group	
	2001	2000
	\$'000	\$'000
		Restated
Operating profit on ordinary activities	2,790,398	212,056
Finance cost for non-banking operations	57,295	51,222
Interest income from non-banking operations	(7,675)	(8,740)
Dividend income	(6,225)	(1,740)
Depreciation	32,681	24,652
Provision for bad and doubtful loans and advances	65,013	46,939
Advances written off net of recoveries	(54,674)	(38,626)
Amortisation of goodwill	3,260	8,185
Provision for diminution in value of properties	6,540	8,246
Provision/(write back) for investment in subsidiaries, associates and jointly controlled entities	325,485	(1,866)
Profit on disposal of subsidiaries	(2,901,384)	–
Net profit on disposal of investment properties	–	(31,620)
Net (profit)/loss on disposal of fixed assets	(2,022)	4,347
Loss on deemed disposal of a subsidiary's property portfolio	–	38,091
Write back on provision for diminution in value of investments	–	(11,050)
Gain on disposal of investment securities	(7,770)	(9,069)
Amortisation of discount of held-to-maturity securities and investment securities	(56,188)	(89,714)
Profit on early redemption of long term notes and bonds	–	(512)
Net cash inflow from trading activities	244,734	200,801
Increase in advances to customers and other accounts	(597,447)	(99,979)
Decrease in certificates of deposit	22,593	159,589
(Increase)/decrease in other investments in securities	(121,489)	58,165
Increase in trade bills	(1,805)	(1,774)
Decrease/(increase) in development properties	40,293	(19,924)
Decrease in properties held for resale	51,042	–
Increase in other payables and provision	775,794	102,140
Increase/(decrease) in insurance funds	102	(335)
Increase in current, fixed, savings and other deposits	540,392	1,082,382
Increase/(decrease) in deposits and balances of other banks	137,736	(5,690)
Net cash inflow from operating activities	1,091,945	1,475,375

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

(b) Analysis of changes in financing during the year

	The Group					
	Certificates of deposit \$'000	Short term bank loans \$'000	Long term bank loans \$'000	Long term notes and bonds \$'000	Other borrowings \$'000	Total \$'000
Balance as at 1 July 2000	905,747	71,187	732,912	582,913	118,986	2,411,745
Redemption of certificates of deposit	(389,472)	–	–	–	–	(389,472)
Issuance of certificates of deposit	308,920	–	–	–	–	308,920
Short term bank loans	–	188,755	–	–	–	188,755
Long term bank loans repayable within 5 years	–	–	(17,471)	–	–	(17,471)
Long term notes and bonds	–	–	–	71,311	–	71,311
Transfer	–	180,000	(180,000)	(262,281)	262,281	–
Other short term borrowings	–	–	–	–	(117,155)	(117,155)
Relating to disposal of subsidiary	(824,718)	–	–	(261,620)	–	(1,086,338)
Effect of foreign exchange difference	(477)	(3,055)	(18,361)	(6,901)	(1,831)	(30,625)
Balance as at 30 June 2001	–	436,887	517,080	123,422	262,281	1,339,670
Balance as at 1 July 1999	962,832	140,246	682,114	618,097	85,631	2,488,920
Redemption of certificates of deposit	(807,914)	–	–	–	–	(807,914)
Issuance of certificates of deposit	754,923	–	–	–	–	754,923
Short term bank loans	–	(67,893)	–	–	–	(67,893)
Long term bank loans repayable within 5 years	–	–	56,904	–	–	56,904
Long term notes and bonds	–	–	–	47,821	–	47,821
Transfer	–	–	–	(81,500)	81,500	–
Other short term borrowings	–	–	–	–	(47,029)	(47,029)
Effect of foreign exchange difference	(4,094)	(1,166)	(6,106)	(1,505)	(1,116)	(13,987)
Balance as at 30 June 2000	905,747	71,187	732,912	582,913	118,986	2,411,745

35. 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	
	2001	2000
	\$'000	\$'000
Cash and short term funds	2,993,808	4,139,820
Placements with banks	—	1,366,783
Bank loans and overdrafts	—	(86,215)
	<u>2,993,808</u>	<u>5,420,388</u>

(d) Disposal of subsidiaries

	2001 \$'000
Net assets disposed:	
Fixed assets	634,188
Interest in jointly controlled entity	10,273
Other assets	363,578
Advances to customers less provision	8,804,018
Trade bills	84,471
Other investments in securities	293,310
Held-to-maturity securities and investment securities	2,581,100
Certificates of deposit held	52,847
Cash and cash equivalents	6,850,878
Other payables and provision	(2,482,545)
Taxation	(27,428)
Deposits and balances of banks and other financial institutions	(703,783)
Current, fixed, savings and other deposits of customers	(13,562,750)
Certificates of deposits issued	(824,718)
Long term notes and bonds	(261,620)
Minority interests	(541,861)
	<u>1,269,958</u>
General reserve	(54,887)
Other property revaluation reserve	(41,108)
Contributed surplus	(17,704)
Exchange reserve	21,640
Capital reserve	(145,066)
Profit on disposal	2,901,384
	<u>3,934,217</u>
Satisfied by:	
Cash consideration	2,747,609
Other investments in securities	1,219,208
Accrued expenses	(32,600)
	<u>3,934,217</u>

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

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

	2001 \$'000
Cash consideration received	(2,747,609)
Cash and cash equivalents disposed	6,850,878
	<u>4,103,269</u>

(f) Acquisition of subsidiaries

	2001 \$'000
Net assets acquired:	
Interest in jointly controlled entities	16,515
Other payables and provision	(2,090)
	<u>14,425</u>
Discharged by:	
Cash paid	14,425
	<u>14,425</u>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<u>14,425</u>

36. STAFF RETIREMENT SCHEME

The Group operated a non-contributory defined contribution provident fund scheme (the "Scheme") for its wholly owned subsidiaries incorporated in Hong Kong under which benefits were paid on retirement or on leaving employment. Contributions to the defined contribution scheme were charged to the profit and loss account for the year. The assets of the Scheme were held separately from those of the Group in independently administered funds. The contributions were made by the Group based on 10 percent of employees' monthly salaries.

With the introduction of Mandatory Provident Fund ("MPF"), the Group decided to wind up the Scheme on 1 December 2000 and set up a MPF scheme. The accrued benefits under the Scheme as at 30 November 2000 were transferred to the Employer's Voluntary Contribution account of the Dao Heng MPF Master Trust Plan.

The Group's contributions to the Scheme and MPF were reduced by contributions forfeited by those employees who left the Scheme/MPF prior to vesting fully in the contributions and other reserves balance in the Scheme upon the winding up of the Scheme. The amount so utilised in the course of the year ended 30 June 2001 was \$6,223,000 (2000: \$513,000) and the amount available for such use as at 30 June 2001 was \$Nil (2000: \$2,631,000).

37. POST BALANCE SHEET EVENT

The Company announced on 8 September 2001 that a conditional cash offer will be made to repurchase up to 43,000,000 shares, representing approximately 10% of the total issued share capital of the Company, subject to certain conditions. The directors will have the power to increase the maximum number of shares to be repurchased from 43,000,000 up to 107,000,000 shares (representing approximately 25% of the total issued share capital of the Company).

Under the offer, tenders will be invited in the range of HK\$46 to HK\$51 per share. If fully subscribed, it will result in the Company paying between HK\$1,978 million and HK\$5,457 million to the accepting shareholders. The offer will be conditional upon approval of the independent shareholders voting at the special general meeting and the Whitewash Waiver being granted by the Securities and Futures Commission.

38. CONTINGENT LIABILITIES

	The Group	
	2001	2000
	\$'000	\$'000
Contingent liabilities relating to bank operations		
Direct credit substitutes	—	77,739
Transaction-related contingencies	—	26,504
Trade-related contingencies	—	282,639
Other commitments with an original maturity of under 1 year or which are unconditionally cancellable	—	3,469,409
	<u>—</u>	<u>3,856,291</u>
	<u>—</u>	<u>3,856,291</u>

As at 30 June 2001, there were contingent liabilities in respect of guarantees given to bankers by the Group to secure banking facilities to the extent of \$41,087,000 (2000: \$21,073,000) granted to certain investee companies of the Group.

As at 30 June 2001, there were contingent liabilities in respect of guarantees given to bankers by the Company to secure banking facilities to the extent of \$381,155,000 (2000: \$361,158,000) granted to group companies.

As at 30 June 2001, there were three put option agreements entered into by the Company whereby imGO Limited (“imGO”) was granted the right (“Options”) to require the Company to purchase all (but not part) of imGO’s interest in the shares in each of the property holding companies at an aggregate consideration of about \$77,795,000. The Options are exercisable during the period from 30 May 2001 to 29 November 2001.

39. COMMITMENTS

- (a) As at 30 June 2001, the Group had capital commitments as follows:

	2001 \$'000	2000 \$'000
Authorised and contracted for	3,116	7,050
Authorised but not contracted for	–	5,112
	<u>3,116</u>	<u>12,162</u>

- (b) As at 30 June 2001, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group			
	2001		2000	
	Properties \$'000	Others \$'000	Properties \$'000	Others \$'000
Within 1 year	1,257	–	6,141	1,606
After 1 year but within 5 years	889	–	5,450	56
After 5 years	–	–	585	–
	<u>2,146</u>	<u>–</u>	<u>12,176</u>	<u>1,662</u>

- (c) There were also commitments in respect of foreign exchange contracts and interest rate swaps relating to the normal operations as at 30 June 2001.

40. MATERIAL RELATED PARTY TRANSACTIONS

(a) Management fee

Certain companies in the Group have 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 companies by HLO. Total management fees (mainly an annual fee equal to three percent of the consolidated profit before tax of the companies) paid and payable to HLO for the year ended 30 June 2001 amounted to \$7.5 million (2000: \$8.2 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 year ended 30 June 2001, the Group made a total contribution of \$8.9 million to the scheme (2000: \$8.2 million).

41. HONG KONG DOLLAR AMOUNTS

The Hong Kong dollar figures shown in the consolidated profit and loss account 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.

List of Properties

MAJOR DEVELOPMENT PROPERTIES OF THE SUBSIDIARIES

Property	Intended use	Stage of completion	Expected Temporary Occupation Permit ("TOP") date		Site area <i>sq. m</i>	Gross floor area <i>sq. m</i>	Group's interest %
Aquarius By The Park Situating at Bedok Reservoir View	Residential	Phase 1 Temporary occupation permit obtained on 14 November 2000	N/A	}	40,613	86,760	54
		Phase 2 Architectural works in progress	11/2001	}			
Sanctuary Green Site situated at Tanjong Rhu Road	Residential	Phase 1 Substructure and superstructure works in progress	12/2003	}	23,551	66,040	49
		Phase 2 Substructure works in progress	6/2004	}			
The Gardens at Bishan Situating at Sin Ming Ave/Sin Ming Walk	Residential	Substructure works in progress	Phase 1 - 3/2004	}	34,949	87,357	49
			Phase 2 - 12/2004	}			
Nathan Place Site situated at Nathan Road	Residential	Planning	*		4,421	6,189	43
Paterson Residence Situating at Paterson Road	Residential	Planning	*		7,774	16,346	54
Site situated at Sin Ming Ave/ Bright Hill Drive	Residential	Planning	*		6,800	19,038	54
Site situated at Leonie Hill	Residential	Planning	*		2,555	7,153	54
Site situated at Meyer Road	Residential	Planning	*		3,352	7,039	54
Site situated at Paya Lebar Road	Residential	Planning	*		12,323	25,878	54
Site situated at Tampines Expressway/Elias Road Junction	Residential	Planning	*		4,429	5,038	54

* Not applicable as construction for these developments have not commenced.

List of Properties

MAJOR PROPERTIES OF THE SUBSIDIARIES HELD FOR INVESTMENT

Location	Existing use	Tenure of land
Tung Centre 20 Collyer Quay Singapore 049319	Office rental	999 years lease with effect from 5 November 1862
A-Z Building 140, Paya Lebar Road Singapore 409015	Industrial rental	Freehold
Parkway Parade #11-04, #19-02 to #19-05 80 Marine Parade Road Singapore 449269	Office rental	99 years lease with effect from 17 August 1979
Robinson Centre 61 Robinson Road Singapore 068893	Office rental	99 years lease with effect from 19 March 1997 98 years lease with effect from 19 March 1998