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## CORPORATE INFORMATION

### 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  
Tung Hsi Hui, Frank

### COMPANY SECRETARY

Stella S.M. Lo

### 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

50th Floor, The Center  
99 Queen's Road Central  
Hong Kong  
Telephone : (852) 2283 8833  
Fax : (852) 2285 3233  
Internet address : <http://www.guoco.com>

### INTERNET WEBSITES OF OTHER SUBSIDIARIES AND ASSOCIATE

First Capital Corporation Ltd  
(<http://www.fcc.com.sg>)  
Hong Leong Bank Berhad  
(<http://www.hlb.com.my>)  
Dao Heng Securities Limited  
(<http://www.dhsec.com>)  
Dao Heng • Wealth Management  
(<http://www.daohengwealth.com>)  
Dao Heng Fund Management Limited  
(<http://www.daohengfund.com>)  
Dao Heng Insurance Co., Limited  
(<http://www.daohenginsurance.com>)

### FINANCIAL CALENDAR

Interim results announcement	8 March 2002
Closure of Register of Members	26 March 2002 to 28 March 2002
Interim dividend of HK\$0.40 per share paid on	3 April 2002
Annual results announcement	17 October 2002
Closure of Register of Members	18 November 2002 to 22 November 2002
Annual General Meeting	22 November 2002
Final dividend of HK\$0.70 per share payable on	23 November 2002

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Quek Leng Chan**, aged 59, is the Executive Chairman of Guoco Group Limited ("Guoco"). He is also the Executive Chairman of the Hong Leong Group Malaysia. Mr. Quek is a Barrister-at-Law from Middle Temple, United Kingdom and has extensive business experience in various business sectors including financial services, manufacturing and real estate. 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 49, is the President and CEO of Guoco. He is also a Director of key group's related companies including Dao Heng Bank Group Limited, Hong Leong Bank Berhad and First Capital Corporation Ltd. 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 and 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 59, 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, a subsidiary of Guoco in Singapore and other public and private companies in Singapore and elsewhere.

**Kwek Leng San\***, aged 47, 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 58, 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 in global asset allocation and special projects. Prior to joining KIO, he had 28 years experience in 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 54, is a Director of Guoco, the Managing Director of Dao Heng Securities Limited and Dao Heng Commodities Limited. He also serves as a non-executive Director of Shanghai Land Holdings Limited (formerly known as "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 60, 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 provided mergers and acquisitions, feasibility studies, restructurings, reengineering and automation services to 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 59, is a Director of Guoco. He was previously also a Director and Chief Financial Officer of Orient Overseas (International) Limited. Prior to joining Orient Overseas (International) Limited, he was previously 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 Auburn University's College of Business Advisory Council.

**Jamal Al-Babtain\***, aged 40, 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.

**Tung Hsi Hui, Frank\***, aged 82, is a Director of Guoco. He obtained a Bachelor of Arts degree from St. John's University in Shanghai, China. He has 53 years of banking experience in Hong Kong and was previously a director of Dao Heng Bank Group Limited, Dao Heng Bank Limited and Overseas Trust Bank Limited. He has been appointed a Director of Guoco since November 2001.

\* Non-executive Director

## CHAIRMAN'S STATEMENT

**F**or the 2001/02 financial year we faced the challenge of generating an acceptable return after our major asset, Dao Heng Bank Group, had been divested at the end of our previous financial year. In the context of this divestiture, associated streamlining initiatives and the slump in global financial markets, I believe the Group has made a considerable achievement in attaining a level of operating profits and earnings per share comparable to the level before the disposal.

The collapse of asset prices globally makes the sale of Dao Heng Bank Group a timely transaction. We realised excellent capital value from an asset we built up over 19 years. Going forward, it is our intention to continue to create shareholders' value by prudently optimising our investment opportunities.

Precisely for this reason, we have not been tempted to rush into new investments, a course of action that has undoubtedly been correct thus far. This is no ordinary economic cycle. Rather, it is a seismic shock whose waves continue to shake the foundations of the global economies. It has been, and continues to be our view that recovery will be slow and selective. While we cannot obviously catch the bottom, we will invest when the right opportunities appear.

### FINANCIAL RESULTS

The consolidated profit attributable to shareholders, after taxation and minority interests amounted to HK\$1,581 million. Basic earnings per share were HK\$4.31. Consolidated shareholders' funds as at 30 June 2002 were HK\$27.9 billion.

At the forthcoming Annual General Meeting, the Board of Directors will recommend the payment of a final dividend of HK\$0.70 per share which together with the interim dividend of HK\$0.40 per share paid during the year, makes a total dividend of HK\$1.10 per share, a 37.5% increase over last year's level. Total dividend for the year amounted to HK\$356 million.

### SHARE REPURCHASE

Recognising that the radical change in the composition of the Group's assets may not have suited all existing shareholders, we sought ways to provide an exit. In doing so, we aimed to reward both those choosing the exit route and those remaining invested.

Accordingly, in November 2001, the Group repurchased 24.8% of its existing capital in a share buy back scheme. The final transaction price of HK\$50 per share represented a 12.1% premium over the market price average for the 60 days preceding the offer. The offer was over subscribed.

## CHAIRMAN'S STATEMENT

The successful share repurchase scheme returned HK\$5.4 billion to shareholders. At the same time it improved the Group's capital structure and balance sheet. Subsequently the Group has attracted a solid array of leading blue chip global investors whom we welcome. We believe that this testifies to the Group's strong track record and displays confidence in its prospects.

### STREAMLINING INITIATIVES

All sound businesses must adopt a policy of continuous improvement in productivity and cost effectiveness. The Group has long had such a corporate wide program, the "Quality and Productivity Program", which is an ingrained part of our corporate culture. The current environment, however, calls for a more aggressive approach. We are undergoing dynamic macro-economic change and the Group has endured forty-six months of deflation in Hong Kong which has reduced its economy by 12%. Bold right sizing and streamlining have been essential. The Group has therefore taken advantage of this period of external and internal adjustments to restructure and streamline the entire organisation and its operations, being mindful of the need to optimise the return on the Group's resources by focusing on the "Right Thing".

As part of these initiatives, we launched a series of restructuring transactions, to transform First Capital Corporation Ltd ("FCC") into the Group's core property unit. FCC now has an enlarged portfolio and a wider presence, extending its Singapore and UK operations to tap growth opportunities in China and Malaysia. While FCC reported a loss of S\$179.9 million for the year, mainly due to realised losses and provision for foreseeable diminution of values in Singapore property, we believe these strategic moves will position FCC to resume profitable focused growth.

Hong Leong Credit Berhad ("HLC"), a 23.3% associate of the Group and currently our largest core business, performed well. HLC achieved a profit before taxation of approximately RM779.8 million, an increase of 35.5% over the previous financial year. The banking division continued its trend of higher profit performance. Insurance also achieved a higher pre-tax profit, due to the improved performance of its investments. The stock broking division reversed its pre-tax loss of the previous financial year on lower operating costs and increased trading volumes.

Subsequent to the year reported, HLC undertook to streamline its operation into a pure financial services group by divesting its interest in Hong Leong Property Berhad ("HLP"). This was accomplished by distributing its shares in HLP directly to HLC's shareholders, thus rewarding them for their support. Going forward, the Group will continue to support HLC's growth as its core financial arm.

## CHAIRMAN'S STATEMENT

As previously announced at the time of our sale of Dao Heng Bank Group to Development Bank of Singapore Ltd ("DBS"), the Group had agreed to enter into negotiations with DBS regarding the possible sale of the Group's other Hong Kong financial service companies. During the financial year, DBS advised us that they had elected not to proceed with the negotiations. As a consequence, we undertook to establish Dao Heng • Wealth Management, capitalising on the infrastructure, expertise and customer bases at Dao Heng Securities Limited, Dao Heng Insurance Co., Limited and Dao Heng Fund Management Limited to provide an integrated wealth management operation encompassing securities, fund management, general insurance and insurance broking. We are in the process of establishing a uniquely customer centric direct sales force, an integrated call centre and marketing driven IT-supported distribution channels to deliver this service.

We also took the opportunity to realise the value of our investment in imGO Limited. Presented with an attractive offer, the Group divested approximately 21.3% of its interest in this company, retaining approximately 3% as a portfolio investment. The Group realised a profit of approximately HK\$105 million over its book cost on this disposal.

Finally, we have amicably agreed with Friends Ivory & Sime plc ("FIS") to dissolve our joint venture, Friends Ivory & Sime Asia Limited. This facilitates FIS's strategic consolidation of their acquisition of the UK asset management business of Royal & SunAlliance. At the same time it enables Dao Heng Fund Management Limited to pursue a customer centric best of class strategy.

### INVESTMENTS

We recognised that effective management of the Group's substantial investment fund would be critical to short-term earnings, just as its subsequent investment in new businesses would be the key to long-term sustainability. To this end, an Investment Committee, which I personally chair and includes the Group's most senior executives with broad financial, investment, risk management and operating experience, was established. This Committee was mandated by the Board to guide the overall process governing the Group's core investments and treasury operations. The Committee instituted a formal process with a clearly defined strategy and operating parameters, and has retained independent consultants to act as advisors.

On the treasury side, we intend through a conservative approach to preserve the fund for future direct investments. In pursuing these, we will exercise prudence and look for optimal entry times. We wish to identify opportunities to buy into the sustainable growth that will ensure the creation of superior shareholder value. Already, the Group has conducted extensive research, examining sectors beyond our traditional areas of property and financial services.

# CHAIRMAN'S STATEMENT

## CORPORATE GOVERNANCE

In a world where issues of corporate governance are front-page news, the Group can be justifiably proud of its adherence to not just the letter but also the intent of the regulations that govern the Group. We constantly examine ways to improve our standards of good governance and transparency.

## OUTLOOK

The outlook for the global economies remains fraught with uncertainties, evidenced by an unprecedented range of globally destabilising events. These include the possibility of military action in the Middle East and elsewhere, action relating to global terrorism, and the possibility of a double or multiple dip recession in the United States exacerbated by accounting and corporate governance issues. Further, the prospects of earnings impairment, major currency realignments, credit issues and diminishing consumer confidence could continue to dampen recovery.

While Asia is not immune to these challenges, it is reasonable to anticipate that Greater China's engine of domestic growth will help moderate these negative influences. As a consequence, the Asian regional economies are forecasted to grow by 5.9% this year and 6.1% next year, more than double the expected world economic expansion rate of 2.8%.

We believe that the Group is particularly well positioned to take advantage of this difficult economic environment. The scenario is likely to offer an increasing number of companies that are distressed either financially or on a cost-competitive basis or with respect to growth in their traditional markets. Prices for such assets may continue to fall. We will seek to make well-timed entries to take advantage of such opportunities and grow the value of the assets to the substantial benefit of our shareholders.

## APPRECIATION

During this year of transition and global change, I am particularly appreciative of the wise counsel, continuing dedication and exceptional commitment of my fellow directors, the management and staff of the Group. With their continued commitment, I am confident the Group will continue to prosper as it embarks on this next exciting leg of its journey.

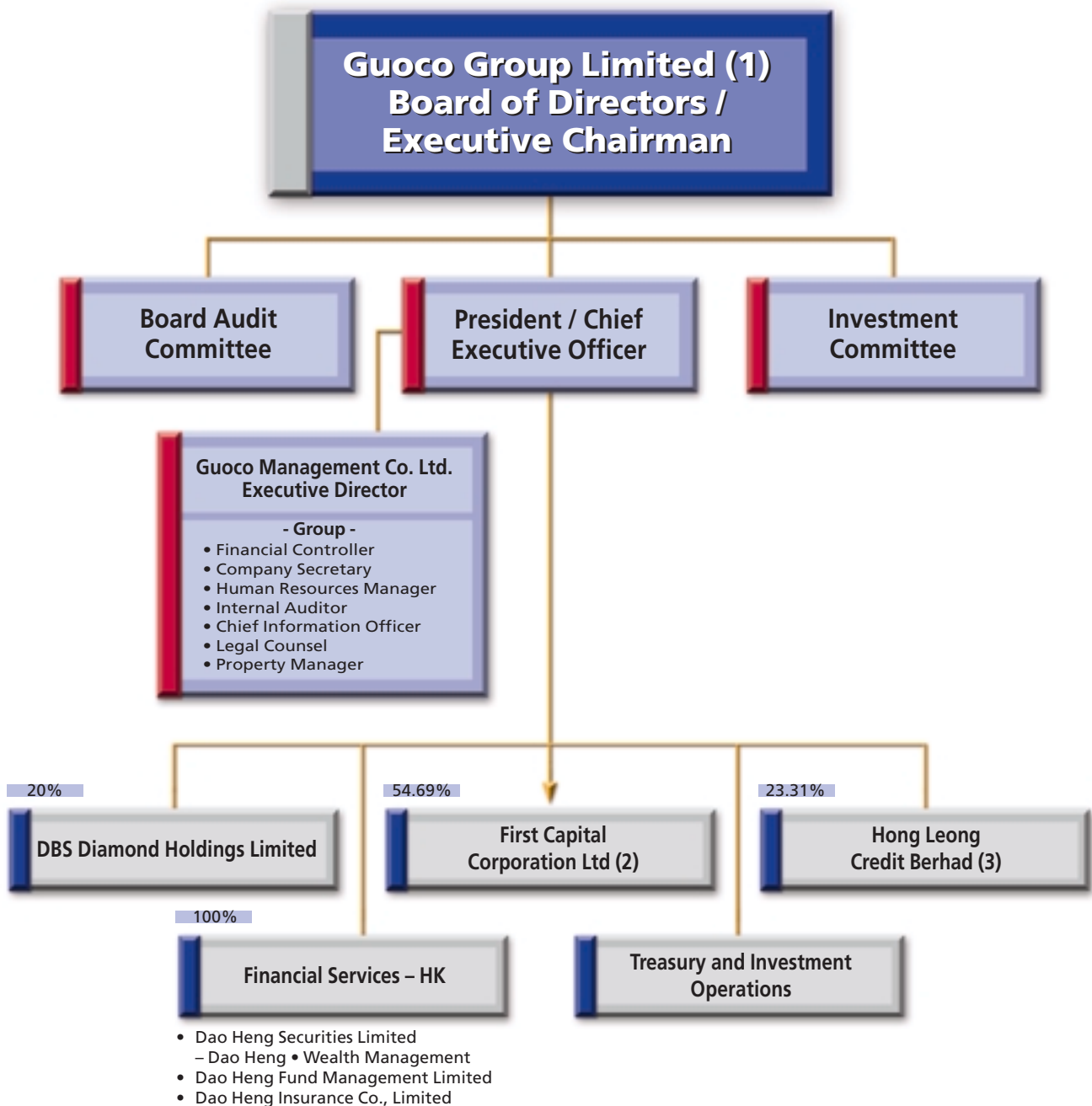
**Quek Leng Chan**

*Executive Chairman*

17 October 2002



## 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>)
- Hong Leong Bank Berhad (<http://www.hlb.com.my>)

*(Subsidiary of Hong Leong Credit Berhad)*

## REVIEW OF OPERATIONS

### TREASURY AND INVESTMENT STRATEGIES

As part of the overall investment process, the Group has also strengthened its treasury operations so as to prudently manage its liquidity in anticipation of core investment opportunities. During the financial year, the Group has established an operating infrastructure to manage its investment funds arising from the disposal of Dao Heng Bank Group in an efficient and effective manner with proper risk management in place.

Considering the general slow down in the global economies coupled with deteriorating fundamentals and recent US corporate governance scandals, the Group took a prudent stance towards investment, which with the benefit of hindsight, has been proved to be correct.

As seen in table below, most market major indices except KLSE have declined significantly in this financial year. The indices declined further in the range of 12% to 21% subsequent to 30 June 2002 and even the gain by the KLSE could not be sustained with the KLSE dropping back by about 12% since 1 July 2002.

**Table: Major Stock Indices**

Major Indices	1 July 2001	30 June 2002	Change
Dow Jones	10,502	9,243	(12.0%)
Nasdaq	2,161	1,463	(32.3%)
London FTSE	5,643	4,656	(17.5%)
NIKKEI	12,969	10,622	(18.1%)
Hong Kong	13,043	10,599	(18.7%)
STI	1,727	1,553	(10.1%)
KLSE	593	725	22.3%

To direct the prudent reinvestment of the proceeds received from the disposal of Dao Heng Bank Group, the Board established an Investment Committee to formulate and refine the Group's investment strategies. The Investment Committee also oversees and directs the ongoing investment process and regularly reviews the Group's risk related policies and controls.

With the Group's increased interest in treasury activity, the Group undertook to further strengthen its financial management capabilities and controls. It established policies and procedures for the identification, measurement, control and monitoring of credit, liquidity, foreign exchange, interest rate and market risks. The internal audit department assures compliance with these policies, procedures and regulatory requirements by regular audits.

The Investment Committee devised investment policies and parameters covering core investment, time deposits, money market instruments, fixed income, equities and financial instruments. The Group also adopted stringent concentration risks control guidelines including setting limits for country risk, counterparty, currency and duration. In evaluating the credit risk of the counterparties, their financial strength with reference to their credit ratings and settlement ability are the primary considerations.

## REVIEW OF OPERATIONS

In view of the volatility of the currency markets, the Group is exercising close and active monitoring of its foreign currency exposures. Appropriate financial instruments are utilized to manage its interest rate and foreign currency exposures including standard interest rate and currency swaps. It should be emphasized that the Investment Committee policy specifically prohibits exotic financial instruments.

Ultimately, the major objective of the Group is to invest in core businesses that will create value for its shareholders. As such, the Group's management is continuously exploring new investment opportunities to lay the foundation for sustainable growth and scalability. To that end, value investment opportunities are being evaluated with particular focus on distressed companies with good assets and prospects where the Group's highly disciplined approach to financial and operating management will create value. It is the view of the Group that markets will provide good investment opportunities. While the Group has core businesses in the financial services and property sectors, it will consider investments in new sectors that satisfy the Investment Committee's investment criteria for profitable growth and returns for shareholders.

### PROPERTY DIVISION

To streamline and posture the Group's property business for growth opportunities, the Group has entered into a restructuring with First Capital Corporation Ltd ("FCC"), which will now focus on property. The transactions include the transfer of the Group's 55% interest in Guoco Properties Limited ("GPL") and 30% interest in Guoman Hotel & Resort Holdings Sdn Bhd ("GHRH") to FCC and the acquisition from FCC of its approximately 9.6% interest in Overseas Union Enterprise Limited ("OUE").

The shareholders of FCC in the general meeting held on 7 October 2002 have approved the transactions. The acquisition of the interest in OUE has been completed on 9 October 2002. The disposal transactions of interests in GPL and GHRH are expected to be completed in December 2002.

#### ***First Capital Corporation Ltd - 54.69% owned by the Group***

The Singapore operating environment for FCC was most competitive and challenging in this financial year. There was an excess supply of residential property units coupled with weak demand. Compared to the last financial year, FCC Group's turnover however decreased only slightly by 3% to S\$234.1 million for the year ended 30 June 2002. An operating loss after tax of S\$179.9 million was recorded in comparison with S\$24.2 million in the last financial year. FCC Group's associated companies contributed a profit of S\$33.1 million, an increase of 4% over the last financial year, which was mainly from its 34.54% associate, Benchmark Group PLC.

## REVIEW OF OPERATIONS

In line with FCC's intended focus on property and property-related activities in key investment countries of Singapore, the United Kingdom and China, FCC divested its non-core property assets, ceased its fund management and advisory services and has sold down its short term trading portfolio during the financial year. Subsequent to the financial year-end, FCC also concluded a sale and purchase agreement for the sale of its interest in its insurance subsidiary to an unrelated third party.

### ***Guoco Properties Limited - 55% owned by the Group and 45% by FCC***

GPL has a 75% interest in Corporate Square, a 17-storey office development located along Financial Street of Beijing. Approximately 60% of the office space in Corporate Square was sold and about 23% of the office areas had been leased out. Management of GPL continues to actively market the remaining office space for sale at currently improved prevailing market prices.

GPL has a 98% interest in the development of a high-end, 300-unit residential development in Shanghai. The site is strategically situated on prime land within the most up-market shopping belt along Huai Hai Zhong Lu in Luwan District, Shanghai.

As reported above, the Group will soon transfer its interest in GPL to FCC.

## FINANCIAL INDUSTRY GROUP

The Group has concentrated on adding value and enhancing its existing financial industry businesses by utilizing the Group's experience in the financial industry sector in Asia. While the Group has continuously assessed core investment opportunities in the sector, it has chosen not to invest as current values and market outlook are still not favourable.

### ***Hong Leong Credit Berhad ("HLC") - 23.31% owned by the Group***

HLC achieved a profit before taxation of approximately RM779.8 million for this financial year, an increase of 35.5% over the last financial year. All divisions in the HLC Group reported profits for the financial year.

The banking division recorded a pre-tax profit of RM705.8 million, an increase of 14.9% over the last financial year. The insurance division achieved a pre-tax profit of RM98.5 million, an increase of 321% over the last financial year mainly due to the improved performance of its investments.

The stock broking division recorded a pre-tax profit of RM3.8 million as compared to a RM30.1 million loss in the prior year. The improved results are substantially due to lower operating costs attributable to streamlining and increased trading volume.

The property division recorded a pre-tax profit of RM30.1 million as compared to RM11.4 million in the previous financial year.

## REVIEW OF OPERATIONS

### *Hong Kong Financial Services Subsidiaries*

When the Group sold Dao Heng Bank Group to Development Bank of Singapore Ltd ("DBS") in the last financial year, it announced that it would enter into negotiation to sell the remaining Hong Kong financial service businesses to DBS. During the current financial year, DBS advised the Group that it had decided not to buy those assets.

Consequently, these subsidiaries have jointly organised the implementation of Dao Heng • Wealth Management, a multi-product wealth management distribution platform that provides integrated and customer-centric wealth management services and financial planning. Recognising that the financial services subsidiaries already have an existing base of clients many of whom will benefit from such wealth management service, a Customer Relationship Management System has been implemented with associated statistical and behavioral modules to offer the right products and services to customers.

A series of wealth management programmes were launched in September 2002, including innovative monthly savings plans for long-term wealth creation, and yield-enhancing products for shorter-term investors. A balanced and prudent approach will be adopted to manage these assets.

In the wake of the deteriorating Hong Kong economic environment, diminishing market turnover and continuing high unemployment rate, the financial services subsidiaries comprising Dao Heng Securities Limited, Dao Heng Fund Management Limited and Dao Heng Insurance Co., Limited are facing increasing challenges. In order to enhance productivity, this financial services group is undertaking major cost control measure and other initiatives to streamline its operations.

## FINANCIAL COMMENTARY

### *Turnover*

An increase in turnover of 11% to HK\$2,086 million from continuing operations was achieved. This was mainly attributable to the increase in treasury, fund and investment management activities of 242% or HK\$508 million, arising primarily from an increase in interest income of HK\$413 million and dividend income of HK\$132 million. Turnover from the property development sector decreased by 20%. The securities, commodities and brokerage sector however declined by 41%.

Treasury, fund and investment management sector accounted for about 89% of the contribution from operations while the property development sector and property investment sector contributed approximately 5% each.

## REVIEW OF OPERATIONS

### ***Borrowings***

By 30 June 2002, the Group had reduced its total borrowings by 41% to HK\$6,195 million from HK\$10,449 million as at 30 June 2001. Unsecured borrowing comprises 47% of total borrowings. All borrowings are by FCC and primarily represent FCC's property loans.

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

	<b>Bank loans</b>	<b>Other borrowings</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
On demand or within 1 year	2,136,658	595,093	2,731,751
After 1 year but within 2 years	2,166,094	484,842	2,650,936
After 2 years but within 5 years	601,872	210,691	812,563
	<u>2,767,966</u>	<u>695,533</u>	<u>3,463,499</u>
	<u>4,904,624</u>	<u>1,290,626</u>	<u>6,195,250</u>

The loans are secured by the following:

- legal mortgages on investment properties with a book value of HK\$640 million;
- legal mortgages on development properties with a book value of HK\$3,699 million; and
- certain equity investments with total carrying value of HK\$1,115 million.

As at 30 June 2002, the Group has net cash balance of HK\$7,170 million after netting off the total borrowings of HK\$6,195 million.

### ***Contingent Liabilities***

As at 30 June 2002, there were contingent liabilities in respect of guarantees given to bankers by the Group and the Company to secure banking facilities to the extent of HK\$324 million (2001:HK\$320 million) and HK\$165 million (2001:HK\$2,973 million) respectively granted to group companies and certain investee companies of the Group.

## REVIEW OF OPERATIONS

### ***Capital and Finance***

The Group's consolidated shareholders' funds as at 30 June 2002 after adjusting for the major items set out below, amounted to HK\$27,906 million. The major adjustments are as follows:

- realisation of reserves of HK\$4,962 million upon the share repurchase by the Company;
- cancellation of share capital of HK\$417 million upon the share repurchase by the Company; and
- revaluation deficit for investment properties of HK\$232 million.

### **HUMAN RESOURCES AND TRAINING**

Including its subsidiaries in Hong Kong and overseas, the Group employed approximately 430 employees as at 30 June 2002. The Group continued to follow a disciplined approach so as to achieve an optimal and efficient workforce size. While streamlining exercises are being carried out to ensure a rightsized workforce, ongoing development of its existing staff is emphasized to enhance their productivity and quality of services.

Management on a regular basis reviews the remuneration policy for the Group's employees. 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 to encourage productive staff contribution. Share options may also be granted from time to time to eligible employees in accordance with the share option scheme adopted by the Company to provide incentive to optimise their performance and foster loyalty towards the Group.

## TEN YEAR SUMMARY

US\$'000

Years	Total assets	Total liabilities	Shareholders' funds	Net profit after tax	Dividend per share
1993	5,087,021	4,316,623	586,617	74,067	0.07
1994	9,872,282	8,446,938	932,440	187,683	0.08
1995	12,660,441	10,666,819	1,276,683	210,938	0.09
1996	15,664,605	13,274,327	1,516,400	244,016	0.10
1997	19,428,627	16,548,548	1,753,233	277,268	0.11
1998	18,565,159	16,157,183	1,419,147	49,448	0.09
1999	19,338,881	16,956,281	1,403,985	78,928	0.08
2000	20,299,446	18,014,260	1,489,778	88,341	0.09
2001	5,937,223	1,571,996	4,116,828	2,726,259	0.10
<b>2002</b>	<b>4,751,963</b>	<b>966,077</b>	<b>3,577,730</b>	<b>202,656</b>	<b>0.14</b>

HK\$'000

Years	Total assets	Total liabilities	Shareholders' funds	Net profit after tax	Dividend per share
1993	39,411,696	33,443,038	4,544,815	573,833	0.55
1994	76,307,804	65,290,608	7,207,295	1,450,693	0.66
1995	97,972,823	82,545,179	9,879,612	1,632,345	0.71
1996	121,267,540	102,763,202	11,739,211	1,889,050	0.78
1997	150,523,285	128,209,879	13,583,168	2,148,134	0.85
1998	143,852,134	125,193,932	10,996,260	383,148	0.70
1999	150,021,371	131,538,351	10,891,414	612,283	0.60
2000	158,244,331	140,430,165	11,613,563	688,662	0.70
2001	46,308,855	12,261,175	32,110,299	21,264,139	0.80
<b>2002</b>	<b>37,064,837</b>	<b>7,535,304</b>	<b>27,905,937</b>	<b>1,580,695</b>	<b>1.10</b>

Notes:

- The figures for 1993 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.
- The figures for 1994 to 2000 were before transfer to general reserve by banking subsidiaries while those for 1993 were after such transfers.
- The figures for 2000 were restated due to change in accounting policies.
- The figures for 2001 to 2002 were after the disposal of the banking subsidiaries.



## FINANCIAL SECTION

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# REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 30 June 2002.

## 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 property development and investment; stock and commodity broking; insurance and fund management services, and treasury and investment management. 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 locations of operations of the Company and its subsidiaries during the financial year is set out in Note 13 on the financial statements.

## FINANCIAL STATEMENTS

The consolidated net profit of the Group for the year ended 30 June 2002 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 32 to 86.

## 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\$68,000 (2001: US\$188,000).

## DIVIDENDS

An interim dividend of HK\$0.40 (2001: HK\$0.20) per share totalling HK\$129,633,000 (2001: HK\$85,326,000) was paid on 3 April 2002. The directors are recommending payment of a final dividend in respect of the year ended 30 June 2002 of HK\$0.70 (2001: HK\$0.60) per share totalling HK\$226,857,000 (2001: HK\$256,255,000).

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 18 November 2002 to 22 November 2002, 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 15 November 2002.

## SHARE CAPITAL AND OPTIONS

Under an executive share option scheme ("ESOS") 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.

## REPORT OF THE DIRECTORS

### SHARE CAPITAL AND OPTIONS (CONT'D)

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 and 9,140,000 share options remained outstanding as at 1 July 2001. During the year, a total of 3,990,000 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 ESOS. 60,000 share options lapsed during the year as a result of the resignation of grantees. As at 30 June 2002, there were 5,090,000 share options outstanding granted under the ESOS which are exercisable during the period from 12 November 1999 to 12 February 2004. Apart from the options granted, the ESOS expired on 30 July 2001.

A new share option scheme was adopted by the Company on 29 November 2001. No option has been granted to any eligible person pursuant to this scheme.

Details of movement in the share capital of the Company during the year are shown in Note 29 on the financial statements.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

On 26 November 2001, the Company repurchased 106,999,713 shares in the Company at HK\$50.00 per share pursuant to a conditional cash offer made by the Company.

Save as disclosed above, 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 14 on the financial statements.

### RESERVES

Movements in the reserves of the Company and the Group during the year are set out in Note 30 on the financial statements.

### SUBSIDIARIES

Particulars of the principal subsidiaries of the Company are set out in Note 15 on the financial statements.

### DIRECTORS

The Board of Directors meets regularly and members of the Board receive information between meetings about the developments in the Company's business. The Board 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.

## REPORT OF THE DIRECTORS

### DIRECTORS (CONT'D)

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\*

Tan Lim Heng

Harry Richard Wilkinson\*\*

Jamal Al-Babtain\*

James Eng, Jr. (appointed on 23 July 2001)

Tung Hsi Hui, Frank\*\* (appointed on 14 November 2001)

Randolph Gordon Sullivan (resigned on 23 July 2001)

\* *Non-executive director*

\*\* *Independent non-executive director*

In accordance with Clause 102(B) of the Company's Bye-Laws, Mr Tung Hsi Hui, Frank will retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

In accordance with Clause 99 of the Company's Bye-Laws, Messrs Tan Lim Heng and Jamal Al-Babtain will retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves 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 2002, 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 required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

#### Interests in the shares of the Company

Director	Number of shares				
	Personal interest	Family interest	Corporate interest	Other interest	Total interests
Quek Leng Chan	456,325	—	137,374,315*	—	137,830,640
Kwek Leng Hai	570,775	—	—	—	570,775
Sat Pal Khattar	391,125	—	—	—	391,125
Kwek Leng San	89,120	—	—	—	89,120
Tan Lim Heng	159,230	—	—	—	159,230
James Eng, Jr.	165,443	—	—	—	165,443
Tung Hsi Hui, Frank	200	—	—	—	200

\* These shares represented the interest of Guoline Overseas Limited (137,046,740 shares) and another company (327,575 shares) with respect to which Mr Quek Leng Chan had a corporate interest pursuant to the SDI Ordinance.

## REPORT OF THE DIRECTORS

### Interests in the securities of associated corporations

Director	Name of Company	Number of shares				
		Personal interest	Family interest	Corporate interest	Other interest	Total interests
Quek Leng Chan	First Capital Corporation Ltd	662,261	—	201,660,299 <i>Note 1</i>	—	202,322,560
	First Capital Corporation Ltd (NCCPS**)	53,833	—	34,383,489 <i>Note 1</i>	—	34,437,322
	Hong Leong Credit Berhad	5,717,000	—	452,507,224 <i>Note 2</i>	—	458,224,224
	Prime Orion Philippines, Inc. (formerly known as "Guoco Holdings (Philippines), Inc.")	—	—	866,610,220 <i>Note 1</i>	—	866,610,220
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	420,000	—	—	—	420,000
	Prime Orion Philippines, Inc. (formerly known as "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	136,500	—	—	—	136,500

*Notes:*

- (1) 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.
- (2) These shares represented the interest of the Company 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.

## REPORT OF THE DIRECTORS

### 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 per share exercisable during the period from 24 December 1999 to 23 December 2004. In addition, Mr Quek was also granted another option on 30 August 2001 by HLCB to subscribe for 20,000 shares in HLCB at the subscription price of RM4.94 per share exercisable during the period from 24 December 2000 to 23 December 2004. During the year, he did not exercise any option to acquire shares in HLCB.

Apart from the interests of directors in the securities and share options of the Company and its associated companies disclosed above and in the section "Share Option Scheme" below, as at 30 June 2002, there was no other interest or right recorded in the register required to be kept under Section 29 of the SDI Ordinance.

Details of directors' interests under the share option schemes of the Company and its subsidiary, FCC, are set out in the section "Share Option Scheme" below.

### SHARE OPTION SCHEME

#### The Company

The Company adopted the ESOS on 30 July 1991 to provide incentives to eligible employees including directors of the Company or any full-time employees in the service of the Company or a subsidiary of the Group and to reward their contribution and foster loyalty towards the Group. Pursuant to the terms of the ESOS, the directors of the Company may, subject to such conditions as they may think fit, offer to grant options to any eligible employee to subscribe for ordinary shares of US\$0.50 each in the capital of the Company. The exercise price per share shall not be less than 80% of the average of the last dealt prices of the shares on the Stock Exchange on the five business days immediately preceding the date of offer of such share options or the nominal value of the shares, whichever is higher. The aggregate number of shares issued and issuable upon the exercise of all share options shall not exceed 10% of the number of shares in issue from time to time. No share option may be granted to any one person, which, if exercised in full, would result in the total number of shares already issued and issuable to that person under all share options previously granted to him exceeding 25% of the maximum aggregate number of shares in respect of which share options may be granted under the ESOS.

On 6 December 1999, share options for the exercise of an aggregate of 9,800,000 shares at HK\$20.33 per share were granted to certain directors of the Company and employees of the Group pursuant to the ESOS. The closing market price per share on that date was HK\$23.60. As at 30 June 2002, the number of shares issuable upon exercise of outstanding options were 5,090,000 which represented approximately 1.57% of the shares in issue of the Company. Details of the share options granted to directors and employees which remained outstanding during the year are as follows:

Grantee	No. of share options		Exercise period of share options	No. of shares acquired on exercise of share options during the year	Weighted closing price immediately before the date of exercise HK\$
	as at 1 July 2001	as at 30 June 2002			
Quek Leng Chan	600,000	—	12 November 1999 to 12 February 2004	600,000	49.70
	600,000	—	12 November 2000 to 12 February 2004	600,000	49.70
	600,000	—	12 November 2001 to 12 February 2004	600,000	49.70
	600,000	600,000	12 November 2002 to 12 February 2004		
	600,000	600,000	12 November 2003 to 12 February 2004		
	<u>3,000,000</u>	<u>1,200,000</u>			

## REPORT OF THE DIRECTORS

### SHARE OPTION SCHEME (CONT'D)

#### The Company (CONT'D)

Grantee	No. of share options as at		Exercise period of share options	No. of shares acquired on exercise of share options during the year	Weighted closing price immediately before the date of exercise HK\$
	1 July 2001	30 June 2002			
Kwek Leng Hai	600,000	—	12 November 1999 to 12 February 2004	600,000	49.30
	600,000	450,000	12 November 2000 to 12 February 2004	150,000	49.30
	600,000	600,000	12 November 2001 to 12 February 2004		
	600,000	600,000	12 November 2002 to 12 February 2004		
	600,000	600,000	12 November 2003 to 12 February 2004		
	<u>3,000,000</u>	<u>2,250,000</u>			
Sat Pal Khattar	60,000	60,000	12 November 1999 to 12 February 2004	—	—
	60,000	60,000	12 November 2000 to 12 February 2004		
	60,000	60,000	12 November 2001 to 12 February 2004		
	60,000	60,000	12 November 2002 to 12 February 2004		
	60,000	60,000	12 November 2003 to 12 February 2004		
	<u>300,000</u>	<u>300,000</u>			
Kwek Leng San	60,000	—	12 November 1999 to 12 February 2004	60,000	50.00
	60,000	—	12 November 2000 to 12 February 2004	60,000	50.00
	60,000	—	12 November 2001 to 12 February 2004	60,000	50.00
	60,000	60,000	12 November 2002 to 12 February 2004		
	60,000	60,000	12 November 2003 to 12 February 2004		
	<u>300,000</u>	<u>120,000</u>			

## REPORT OF THE DIRECTORS

### SHARE OPTION SCHEME (CONT'D)

#### The Company (CONT'D)

Grantee	No. of share options as at		Exercise period of share options	No. of shares acquired on exercise of share options during the year	Weighted closing price immediately before the date of exercise HK\$
	1 July 2001	30 June 2002			
Tan Lim Heng	180,000	—	12 November 2000 to 12 February 2004	180,000	49.50
	200,000	—	12 November 2001 to 12 February 2004	200,000	49.50
	200,000	200,000	12 November 2002 to 12 February 2004		
	200,000	200,000	12 November 2003 to 12 February 2004		
	<u>780,000</u>	<u>400,000</u>			
Harry Richard Wilkinson	60,000	60,000	12 November 2001 to 12 February 2004	—	—
	60,000	60,000	12 November 2002 to 12 February 2004		
	60,000	60,000	12 November 2003 to 12 February 2004		
	<u>180,000</u>	<u>180,000</u>			
James Eng, Jr.	200,000	—	12 November 1999 to 12 February 2004	200,000	49.50
	200,000	—	12 November 2000 to 12 February 2004	200,000	49.50
	200,000	—	12 November 2001 to 12 February 2004	200,000	49.50
	200,000	200,000	12 November 2002 to 12 February 2004		
	200,000	200,000	12 November 2003 to 12 February 2004		
	<u>1,000,000</u>	<u>400,000</u>			



## REPORT OF THE DIRECTORS

### SHARE OPTION SCHEME (CONT'D)

#### The Company (CONT'D)

Grantee	No. of share options as at		Exercise period of share options	No. of shares acquired on exercise of share options during the year	Weighted closing price immediately before the date of exercise HK\$
	1 July 2001	30 June 2002			
Employees	120,000	—	12 November 2000 to 12 February 2004	120,000	48.80
	120,000	—	12 November 2001 to 12 February 2004	60,000	48.80
	120,000	120,000	12 November 2002 to 12 February 2004	60,000	49.90
	120,000	120,000	12 November 2003 to 12 February 2004		
	<u>480,000</u>	<u>240,000</u>			

*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 with an exercise price of HK\$20.33 per share lapsed following his resignation.

No option was granted during the year under the ESOS which had expired on 30 July 2001 other than those granted options.

A new share option scheme (the "New Scheme") was adopted by the Company on 29 November 2001 for the purpose of providing any employee or director of the Company or any of its subsidiaries or associated companies (the "Eligible Employees") the opportunity of participating in the growth and success of the Group. The number of shares that may be issued upon exercise of all share options to be granted under the New Scheme shall not in aggregate exceed 32,408,137 which represents 10% of the shares in issue of the Company on the date of this report. The maximum entitlement for any Eligible Employee is that the total number of shares issued and to be issued upon exercise of options granted and to be granted in any 12 months period up to the date of the latest grant does not exceed 1% of the shares of the Company in issue.

The option price per share payable upon exercise of any share option will be determined by the directors upon the grant of such a share option. It will not be less than the greatest of (a) the average closing price of a share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the day of offer of such a share option; (b) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the day of offer of such a share option; and (c) the nominal value of a share.

A nominal value of HK\$1.00 is payable on acceptance of the share option within 21 days inclusive of, and from, the date of making such offer. No share option may be exercised later than ten years after it has been granted and no share option may be granted more than ten years after 29 November 2001, the date on which the New Scheme was adopted by the Company.

No option was granted to any Eligible Employees pursuant to the New Scheme during the year.

## REPORT OF THE DIRECTORS

### SHARE OPTION SCHEME (CONT'D)

#### FCC

FCC's Executive Share Option Scheme (the "Option Scheme") was approved by the shareholders of FCC on 31 December 1998 and further approved by the shareholders of the Company on 1 February 1999. The Option Scheme provides an opportunity for the employees of FCC Group who have contributed to the growth and development of the FCC Group to participate in the equity of FCC.

A committee (the "Committee") comprising directors of FCC who are not participants of the Option Scheme shall select any full time employees of FCC Group and the executive directors of FCC ("FCC Employees") to become participants in the Option Scheme. The aggregate number of shares in FCC over which the Committee may grant options under the Option Scheme on any date shall not exceed 5% of the issued share capital of FCC on the day preceding that date. The maximum entitlement of any FCC Employee shall not exceed 25% in aggregate of the total number of FCC shares which have been issued and are to be issued by FCC pursuant to the exercise of options under the Option Scheme. The grant of option to an FCC Employee shall be accepted within 30 days from the date on which an option is granted accompanied by a payment of S\$1.00 as consideration. The Option Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of 15 years commencing on 31 December 1998.

The exercise price per share shall be the average of the closing prices of FCC's shares on Singapore Exchange Securities Trading Limited for each of the last five market days immediately prior to the date of grant of the option or the nominal value of the FCC shares, whichever is the higher. An option shall be exercisable on the date after (a) the second anniversary of the date of grant (for FCC Employees who have been employed for less than one year) and (b) the first anniversary of the date of grant (for all other FCC Employees) and to end on a date not later than 10 years after the date of grant.

5,380,000 options were granted on 27 April 1999 to FCC Employees including executive directors, which are exercisable at S\$2.28 per share. Of these 5,380,000 options granted, 1,270,000 options had lapsed, leaving outstanding balance of 4,110,000 options as at 1 July 2001. The date of expiration of the option is 26 April 2009. During the year, no additional options were granted pursuant to the Option Scheme and no FCC shares were issued as a result of the exercise of options. Therefore, the number of outstanding options as at 30 June 2002 remained at 4,110,000.

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, 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	Number of shares held in the Company			Note
	Direct interest	Deemed interest	Total interests	
Guoline Overseas Limited ("GOL")	137,046,740	—	137,046,740	
Government of Kuwait Investment Authority Kuwait Investment Office	71,172,395	—	71,172,395	
Guoline Capital Assets Limited ("GCA")	—	137,046,740	137,046,740	1
Hong Leong Company (Malaysia) Berhad ("HLCM")	—	137,374,315	137,374,315	1 & 2
HL Holdings Sdn. Bhd.	—	137,374,315	137,374,315	3
Hong Leong Investment Holdings Pte Ltd	—	137,374,315	137,374,315	3
Kwek Holdings Pte Ltd	—	137,374,315	137,374,315	4

## REPORT OF THE DIRECTORS

### SUBSTANTIAL SHAREHOLDERS (CONT'D)

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 in 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 have an interest in 137,374,315 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 have an interest in 137,374,315 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. Messrs Harry Richard Wilkinson and Sat Pal Khattar 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 examinations and their evaluations 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 its news to the Board of Directors. Three Board Audit Committee meetings were held during the year.

### COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company complied throughout the year with the Code of Best Practice adopted by the Company based on the guidelines set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules").

### INTEREST CAPITALISED

Interest capitalised during the year by the Group in respect of development properties amounted to approximately US\$20.8 million (2001: approximately US\$28.1 million).

### INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

#### Services agreement

On 21 August 2001, the Company entered into a services agreement (the "Services Agreement") with Hong Leong Overseas (H.K.) Limited ("HLO") for the provision of certain services by HLO to the Company, its subsidiaries and associated companies from time to time. The services to be provided under the Services 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, which amounted to HK\$44,943,000 for the year ended 30 June 2002. The Services 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.

# REPORT OF THE DIRECTORS

## INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (CONT'D)

### Services agreement (CONT'D)

The Services Agreement replaced the previous services agreements between HLO and certain operating subsidiaries of the Group. The Services 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.

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 and have an interest in the Services Agreement as shareholders and directors of HLCM.

The Company applied for a waiver from strict compliance with the connected transaction requirements as set out in Chapter 14 of the Listing Rules in respect of the future connected transactions arising from the renewal of the Services Agreement (the "Transactions"). The Stock Exchange granted a conditional waiver to the Company from strict compliance with the disclosure requirements as stipulated under Rule 14.25(1) of the Listing Rules on each occasion that the Transactions arise.

The independent non-executive directors of the Company reviewed the Transactions during the year and confirm that:

1. the Transactions were:
  - i) entered into by the Company in the ordinary and usual course of its business;
  - ii) conducted on terms that were fair and reasonable so far as the shareholders of the Company are concerned; and
  - iii) entered into in accordance with the terms of the agreements governing such Transactions;
2. the aggregate amount of the Transactions was HK\$45,943,000 for the year ended 30 June 2002 and did not exceed the cap amount of 3% of the book value of the audited net tangible assets of the Company and its subsidiaries as at 30 June 2002.

### Connected transactions

1. On 3 April 2002, FCC executed a sale and purchase agreement for the acquisition of a 20% interest in Fasidon Holdings Pte Ltd ("Fasidon") from its joint venture partner, HLL Overseas Limited ("HLL"), at a consideration of S\$4.4 million. Fasidon was previously owned as to 80% by FCC and 20% by HLL. It undertakes the development of a condominium project at No. 16 Nathan Road, Singapore. HLL's ultimate holding company is HLCM. The consideration was negotiated at an arm's-length and on a willing buyer and willing seller basis and was based on 20% of the adjusted net tangible assets of Fasidon as at 28 February 2002 taking into account the value of the development site.
2. On 28 June 2002, FCC proposed a rights issue (the "Rights Issue") of one ordinary rights share and one non-redeemable convertible cumulative preference share at an issue price of S\$1.00 each for every four existing ordinary shares held in FCC. The Company has undertaken to procure the subscription and payment for the rights shares under its entitlement and also for the excess shares ("Excess Shares") not taken up under the Rights Issue (the "Excess Undertaking"). The Excess Undertaking is conditional on, inter alia, the approval of the shareholders of FCC in general meeting on the Rights Issue and acquisitions of a 55% interest in Guoco Properties Limited and a 30% interest in Guoman Hotel & Resort Holdings Sdn Bhd from the Company, which were obtained on 7 October 2002. As at 15 October 2002, the maximum number of Excess Shares undertaken by the Company was approximately 47.3 million with the total subscription payable amounting to approximately S\$47.3 million (equivalent to approximately US\$26.8 million).

## REPORT OF THE DIRECTORS

### INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (CONT'D)

#### Loans to subsidiaries and associated companies

As at 30 June 2002, the Company and 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\$81.5 million and US\$66.8 million respectively.

As at 30 June 2002, GPL had made interest free advances, for general funding purposes, in the sums of US\$4.5 million, US\$6.7 million, US\$12.1 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 2002, GPL had made interest free advances of US\$31.1 million to its 75% owned subsidiary, Beijing Minghua Property Development Co., Ltd. ("BMPD"). The balance of the share capital of BMPD was held by a party not related to the Group.

#### Others

The Hong Leong Bank Berhad ("HLBB") group has, 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 HLBB group are in the ordinary course of business and on normal commercial terms.

The Group regularly conducts 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 and have an interest 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.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company operates the ESOS to enable 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, James Eng, Jr., 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 Quek Leng Chan, Kwek Leng Hai, Sat Pal Khattar, Kwek Leng San, Tan Lim Heng, James Eng, Jr. and Randolph Gordon Sullivan acquired shares in the Company by exercising the options. Apart from the options granted, the ESOS expired on 30 July 2001.

A new share option scheme was adopted by the Company on 29 November 2001. No option has been granted to the directors and employees pursuant to this scheme.

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.

# REPORT OF THE DIRECTORS

## 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.

Mr Tan Lim Heng is also non-executive director and shareholder of imGO Limited (the name of which has been changed to "Shanghai Land Holdings Limited") which is engaged in property investment and development in the PRC. imGO Limited ceased to be an associated company of the Company on 24 June 2002.

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 87 to 88.

## 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 on 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, 17 October 2002

# AUDITORS' REPORT



## TO THE SHAREHOLDERS OF GUOCO GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 32 to 86 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 financial statements which give a true and fair view. In preparing financial statements 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 financial statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### OPINION

In our opinion, the financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 30 June 2002 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, 17 October 2002

# CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2002

	Note	2002 US\$'000	2001 US\$'000	2002 HK\$'000	2001 HK\$'000
<b>Turnover</b>					
Continuing operations	3	267,488	241,346	2,086,380	1,882,439
Discontinued operations	3	—	1,284,623	—	10,019,738
		<b>267,488</b>	1,525,969	<b>2,086,380</b>	11,902,177
<b>Cost of property sales</b>		<b>(112,896)</b>	(152,987)	<b>(880,578)</b>	(1,193,260)
<b>Interest expenses of discontinued operations</b>		—	(755,798)	—	(5,895,035)
<b>Other attributable costs</b>		<b>(28,103)</b>	(30,098)	<b>(219,201)</b>	(234,757)
		<b>126,489</b>	587,086	<b>986,601</b>	4,579,125
<b>Other revenue</b>	4(a)	<b>1,994</b>	2,127	<b>15,553</b>	16,590
<b>Other net income</b>	4(b)	<b>142,518</b>	16,807	<b>1,111,626</b>	131,090
<b>Administrative expenses</b>		<b>(39,013)</b>	(259,255)	<b>(304,297)</b>	(2,022,124)
<b>Other operating expenses</b>		<b>(1,879)</b>	(3,418)	<b>(14,656)</b>	(26,660)
<b>Provisions for bad and doubtful loans and advances for discontinued operations</b>		—	(65,013)	—	(507,085)
		<b>230,109</b>	278,334	<b>1,794,827</b>	2,170,936
<b>Finance cost for non-banking operations</b>	6	<b>(20,992)</b>	(57,295)	<b>(163,736)</b>	(446,887)
		<b>Operating profit</b>			
Continuing operations		209,117	(8,281)	1,631,091	(64,590)
Discontinued operations		—	229,320	—	1,788,639
	13	209,117	221,039	1,631,091	1,724,049
<b>Profit on disposal of subsidiaries</b>		—	2,901,384	—	22,630,070
<b>Profit on disposal of an associate</b>		<b>13,503</b>	—	<b>105,322</b>	—
<b>Provision for investments in subsidiaries, associates and jointly controlled entities</b>		—	(325,485)	—	(2,538,702)
<b>Impairment loss on properties</b>		<b>(69,267)</b>	(6,540)	<b>(540,276)</b>	(51,010)
<b>Deficit on evaluation of investment properties</b>		<b>(1,452)</b>	—	<b>(11,325)</b>	—
<b>Net loss on disposal of investment properties</b>		<b>(13,438)</b>	—	<b>(104,815)</b>	—
		<b>138,463</b>	2,790,398	<b>1,079,997</b>	21,764,407
<b>Share of profits less losses of associates</b>		<b>49,783</b>	5,114	<b>388,302</b>	39,888
<b>Share of profits less losses of jointly controlled entities</b>		<b>(231)</b>	6,384	<b>(1,802)</b>	49,794
		<b>188,015</b>	2,801,896	<b>1,466,497</b>	21,854,089
<b>Profit from ordinary activities before taxation</b>	5	<b>188,015</b>	2,801,896	<b>1,466,497</b>	21,854,089
<b>Taxation</b>	7(a)	<b>(33,620)</b>	(48,172)	<b>(262,233)</b>	(375,730)
		<b>154,395</b>	2,753,724	<b>1,204,264</b>	21,478,359



# CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2002

	Note	2002 US\$'000	2001 US\$'000	2002 HK\$'000	2001 HK\$'000
<b>Profit after taxation</b>		<b>154,395</b>	2,753,724	<b>1,204,264</b>	21,478,359
<b>Minority interests</b>		<b>48,261</b>	(27,465)	<b>376,431</b>	(214,220)
<b>Profit attributable to shareholders</b>	10	<b>202,656</b>	2,726,259	<b>1,580,695</b>	21,264,139
Appropriations:					
<b>2001 Final dividend paid</b>	11	<b>(24,933)</b>	(30,100)	<b>(194,449)</b>	(234,647)
<b>2002 Interim dividend paid</b>	11	<b>(16,625)</b>	(10,941)	<b>(129,633)</b>	(85,326)
<b>Retained profit for the year</b>		<b>161,098</b>	2,685,218	<b>1,256,613</b>	20,944,166
Retained in:					
<b>The Company and its subsidiaries</b>		<b>132,501</b>	2,687,058	<b>1,033,559</b>	20,958,518
<b>Associates</b>		<b>28,828</b>	(7,089)	<b>224,856</b>	(55,292)
<b>Jointly controlled entities</b>		<b>(231)</b>	5,249	<b>(1,802)</b>	40,940
		<b>161,098</b>	2,685,218	<b>1,256,613</b>	20,944,166
		<b>US\$</b>	<b>US\$</b>	<b>HK\$</b>	<b>HK\$</b>
<b>Earnings per share</b>					
Basic	12	<b>0.55</b>	6.39	<b>4.31</b>	49.83
Diluted	12	<b>0.54</b>	6.36	<b>4.20</b>	49.60
		<b>US\$'000</b>	<b>US\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Proposed final dividend</b>	11	<b>29,085</b>	32,854	<b>226,857</b>	256,255

The notes on pages 39 to 86 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2002

	Share capital US\$'000	Share premium US\$'000	Investment property revaluation reserve US\$'000	Other property revaluation reserve US\$'000	Capital and other reserves US\$'000	Contributed surplus US\$'000	General reserve US\$'000	Exchange translation reserve US\$'000	Retained profits US\$'000	Total US\$'000
At 1 July 2000	213,316	235,122	25,429	42,909	166,070	36,121	131,929	(178,428 )	817,310	1,489,778
Surplus/(deficit) arising on revaluation of investment properties from										
- subsidiaries	—	—	(3,491 )	—	—	—	—	—	—	(3,491 )
- an associate	—	—	10,891	—	—	—	—	—	—	10,891
Reserves realised on disposal of a subsidiary	—	—	—	(41,108 )	(145,066 )	(17,704 )	(54,887 )	21,640	—	(237,125 )
Reserve realised on disposal by an associate	—	—	(4,850 )	—	—	—	—	—	—	(4,850 )
Write back of revaluation surplus of associate	—	—	—	(1,771 )	—	—	—	—	—	(1,771 )
Share of subsidiaries' and associates' capital reserves movement	—	—	—	—	(6,119 )	—	—	—	—	(6,119 )
Transfer of net dilution loss to consolidated income statement	—	—	—	—	22,488	—	—	—	—	22,488
Transfer between reserves	—	—	—	—	9,072	—	—	—	(9,072 )	—
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	—	—	(1,581 )	(30 )	(584 )	—	—	(20,505 )	—	(22,700 )
Exchange difference on investments in subsidiaries and associates written off	—	—	—	—	—	—	—	183,309	—	183,309
Net profits/(losses) not recognised in the consolidated income statement	—	—	969	(42,909 )	(120,209 )	(17,704 )	(54,887 )	184,444	(9,072 )	(59,368 )
Profit attributable to shareholders	—	—	—	—	—	—	—	—	2,726,259	2,726,259
Dividend paid	—	—	—	—	—	—	—	—	(41,041 )	(41,041 )
Shares issued under Share Option Scheme	230	970	—	—	—	—	—	—	—	1,200
At 30 June 2001	213,546	236,092	26,398	—	45,861	18,417	77,042	6,016	3,493,456	4,116,828
Deficit arising on revaluation of investment properties from										
- subsidiaries	—	—	(28,882 )	—	—	—	—	—	—	(28,882 )
- an associate	—	—	(866 )	—	—	—	—	—	—	(866 )
Reserve realised on disposal by										
- subsidiaries	—	—	6,397	—	—	—	—	—	—	6,397
- an associate	—	—	(5,322 )	—	—	—	—	—	—	(5,322 )
Excess deficit arising on revaluation of investment properties charged to consolidated income statement	—	—	1,452	—	—	—	—	—	—	1,452
Transfer between reserves	—	—	—	—	11,236	—	—	—	(11,236 )	—
Share of subsidiaries' and associates' capital reserves movement	—	—	—	—	1,295	—	—	—	—	1,295
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	—	—	823	—	445	—	—	3,720	—	4,988
Net profits/(losses) not recognised in the consolidated income statement	—	—	(26,398 )	—	12,976	—	—	3,720	(11,236 )	(20,938 )
Profit attributable to shareholders	—	—	—	—	—	—	—	—	202,656	202,656
Dividend paid	—	—	—	—	—	—	—	—	(41,558 )	(41,558 )
Shares repurchased and cancelled	(53,500 )	(244,497 )	—	—	—	(14,439 )	(77,042 )	—	(300,180 )	(689,658 )
Shares issued under Share Option Scheme	1,995	8,405	—	—	—	—	—	—	—	10,400
At 30 June 2002	162,041	—	—	—	58,837	3,978	—	9,736	3,343,138	3,577,730

The notes on pages 39 to 86 form part of these financial statements.

# CONSOLIDATED BALANCE SHEET

As at 30 June 2002

	Note	2002 US\$'000	2001 US\$'000	2002 HK\$'000	2001 HK\$'000
<b>Non-current assets</b>					
Fixed assets	14	255,778	253,446	1,995,043	1,976,815
Interest in associates	16	427,571	433,631	3,335,011	3,382,213
Interest in jointly controlled entities	17	(4,155)	(932)	(32,409)	(7,269)
Other non-current financial assets	18	89,406	82,379	697,358	642,536
Goodwill	19	(731)	—	(5,702)	—
		<u>767,869</u>	<u>768,524</u>	<u>5,989,301</u>	<u>5,994,295</u>
<b>Current assets</b>					
Development properties	20	515,926	637,921	4,024,171	4,975,624
Properties held for sale	21	66,394	75,347	517,867	587,688
Other assets	22	94,929	55,248	740,437	430,921
Other investments in securities	23	1,593,365	1,406,375	12,428,088	10,969,373
Cash and short term funds		1,713,480	2,993,808	13,364,973	23,350,954
		<u>3,984,094</u>	<u>5,168,699</u>	<u>31,075,536</u>	<u>40,314,560</u>
<b>Current liabilities</b>					
Other payables and provision	24	141,935	209,312	1,107,079	1,632,581
Current portion of bank loans and other borrowings	25	350,229	699,168	2,731,751	5,453,336
Insurance funds		3,108	2,830	24,242	22,073
Taxation	7(b)	13,889	13,167	108,333	102,699
		<u>509,161</u>	<u>924,477</u>	<u>3,971,405</u>	<u>7,210,689</u>
<b>Net current assets</b>		<u>3,474,933</u>	<u>4,244,222</u>	<u>27,104,131</u>	<u>33,103,871</u>
<b>Total assets less current liabilities</b>		<u>4,242,802</u>	<u>5,012,746</u>	<u>33,093,432</u>	<u>39,098,166</u>
<b>Non-current liabilities</b>					
Non-current portion of bank loans and other borrowings	26	444,044	640,502	3,463,499	4,995,755
Deferred taxation	27	12,872	7,017	100,400	54,731
		<u>456,916</u>	<u>647,519</u>	<u>3,563,899</u>	<u>5,050,486</u>
<b>Minority interests</b>	28	<u>208,156</u>	<u>248,399</u>	<u>1,623,596</u>	<u>1,937,451</u>
<b>NET ASSETS</b>		<u>3,577,730</u>	<u>4,116,828</u>	<u>27,905,937</u>	<u>32,110,229</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	29	162,041	213,546	1,263,904	1,665,605
Reserves	30(a)	3,415,689	3,903,282	26,642,033	30,444,624
		<u>3,577,730</u>	<u>4,116,828</u>	<u>27,905,937</u>	<u>32,110,229</u>

Approved and authorised for issue by the Board of Directors on 17 October 2002

**Kwek Leng Hai**  
**James Eng, Jr.**  
*Directors*

The notes on pages 39 to 86 form part of these financial statements.

# BALANCE SHEET

As at 30 June 2002

	Note	2002 US\$'000	2001 US\$'000	2002 HK\$'000	2001 HK\$'000
<b>Non-current assets</b>					
Interest in subsidiaries	15	2,031,565	1,805,848	15,846,004	14,085,162
Interest in associates	16	11,416	11,412	89,044	89,011
Other non-current financial assets	18	203	—	1,583	—
		<u>2,043,184</u>	<u>1,817,260</u>	<u>15,936,631</u>	<u>14,174,173</u>
<b>Current assets</b>					
Other assets	22	1,393	574	10,865	4,477
Cash and short term funds		1,505,828	2,764,329	11,745,308	21,561,075
		<u>1,507,221</u>	<u>2,764,903</u>	<u>11,756,173</u>	<u>21,565,552</u>
<b>Current liabilities</b>					
Amount due to subsidiaries		250,907	598,029	1,957,050	4,664,477
Other payables and provision	24	9,138	40,760	71,274	317,916
Bank loans and overdrafts	25	—	14,914	—	116,325
Taxation	7(b)	2,719	27	21,208	211
		<u>262,764</u>	<u>653,730</u>	<u>2,049,532</u>	<u>5,098,929</u>
<b>Net current assets</b>		<u>1,244,457</u>	<u>2,111,173</u>	<u>9,706,641</u>	<u>16,466,623</u>
<b>Total assets less current liabilities</b>		<u>3,287,641</u>	<u>3,928,433</u>	<u>25,643,272</u>	<u>30,640,796</u>
<b>Non-current liabilities</b>					
Deferred taxation	27	2,564	—	20,000	—
<b>NET ASSETS</b>		<u>3,285,077</u>	<u>3,928,433</u>	<u>25,623,272</u>	<u>30,640,796</u>
<b>CAPITAL AND RESERVES</b>					
<b>Share capital</b>	29	162,041	213,546	1,263,904	1,665,605
<b>Reserves</b>	30(b)	3,123,036	3,714,887	24,359,368	28,975,191
		<u>3,285,077</u>	<u>3,928,433</u>	<u>25,623,272</u>	<u>30,640,796</u>

Approved and authorised for issue by the Board of Directors on 17 October 2002

**Kwek Leng Hai**  
**James Eng, Jr.**  
*Directors*

The notes on pages 39 to 86 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2002

	Note	2002 US\$'000	2001 US\$'000
<b>Net cash inflow from operating activities</b>	31(a)	<b>22,655</b>	1,091,945
<b>Returns on investments and servicing of finance</b>			
Interest received		60,299	7,393
Interest paid		(47,934)	(86,740)
Dividends received on equity investments		23,184	6,225
Dividends received from associates		44,720	4,650
Dividends paid to minority shareholders		(5,533)	(39,888)
Dividends paid		(41,558)	(41,041)
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>		<b>33,178</b>	(149,401)
<b>Taxation</b>			
Hong Kong Profits Tax paid		(1,153)	(16,223)
Hong Kong Profits Tax refunded		—	154
Overseas tax paid		(3,543)	(15,942)
<b>Tax paid</b>		<b>(4,696)</b>	(32,011)
<b>Investing activities</b>			
Purchase of held-to-maturity securities and investment securities		(5,569)	(1,314,296)
Purchase of interest in a jointly controlled entity		—	(528)
Purchase of interest in associates		(44,064)	(7,441)
Purchase of interest in subsidiaries	31(e)	(72,650)	(14,425)
Net repayment from/(advance to) associates		767	(9,593)
Net repayment from jointly controlled entities		2,992	21,804
Proceeds from disposal of an associate		10,316	—
Proceeds from disposal of held-to-maturity securities and investment securities		—	2,036,206
Purchase of fixed assets		(3,712)	(23,671)
Proceeds from sale of fixed assets		240	3,739
Purchase of investment properties		—	(9,448)
Proceeds from sale of investment properties		34,770	—
Proceeds from sale of interest in subsidiaries		—	(4,103,269)
<b>Net cash outflow from investing activities</b>		<b>(76,910)</b>	(3,420,922)
<b>Net cash outflow before financing</b>		<b>(25,773)</b>	(2,510,389)

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2002

	Note	2002 US\$'000	2001 US\$'000
<b>Financing</b>	31(b)		
Repurchase of ordinary shares		(689,658)	—
New issue of ordinary shares		10,400	1,200
Ordinary and preference shares issued to minority shareholders		—	11,213
Redemption of certificates of deposit		—	(389,472)
Issuance of certificates of deposit		—	308,920
Short term bank loans		(227,185)	188,755
Other short term borrowings		(188,341)	(117,155)
Long term bank loans repayable within 5 years		(120,730)	(17,471)
Long term notes and bonds		(37,558)	71,311
<b>Net cash (outflow)/inflow from financing</b>		<b>(1,253,072)</b>	<b>57,301</b>
<b>Decrease in cash and cash equivalents</b>		<b>(1,278,845)</b>	<b>(2,453,088)</b>
<b>Effect of foreign exchange rate</b>		<b>(1,483)</b>	<b>26,508</b>
<b>Cash and cash equivalents as at 1 July</b>	31(c)	<b>2,993,808</b>	<b>5,420,388</b>
<b>Cash and cash equivalents as at 30 June</b>	31(c)	<b>1,713,480</b>	<b>2,993,808</b>

The notes on pages 39 to 86 form part of these financial statements

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 1 BASIS OF PRESENTATION

### (a) *Statement of compliance*

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

### (b) *Basis of consolidation*

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) *Revenue recognition*

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

#### (i) *Interest income*

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

#### (ii) *Dividend income*

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Revenue recognition (CONT'D)

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

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

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

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

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

### (b) Investments

- (i) *Investment in securities*

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

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

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

#### Investment securities

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

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



# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Investments (CONT'D)

#### (i) Investment in securities (CONT'D)

##### Investment securities (CONT'D)

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

##### Other investments in securities

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

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

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

#### (ii) Interest in subsidiaries

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

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

#### (iii) Interest in associates and jointly controlled entities

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

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

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

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (c) Goodwill

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

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

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

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

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

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

### (d) Fixed assets and depreciation

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

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

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

## NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

#### (e) *Investment properties*

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

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

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

#### (f) *Properties held for sale*

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

#### (g) *Development properties*

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

#### (h) *Impairment of assets*

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

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

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (h) *Impairment of assets (CONT'D)*

#### (i) *Calculation of recoverable amount*

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

#### (ii) *Reversals of impairment losses*

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

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

### (i) *Leased assets*

#### (i) *Assets held for use in operating leases*

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

#### (ii) *Operating lease charges*

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

### (j) *Long term notes and bonds issued*

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

### (k) *Cash equivalents*

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

## NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### **(l) Deferred taxation**

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

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

#### **(m) Insurance operations**

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

#### **(n) Translation of foreign currencies**

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

#### **(o) Retirement costs**

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

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

#### **(p) Borrowing costs**

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

#### **(q) Provisions and contingent liabilities**

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

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (r) *Off-balance sheet financial instruments*

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

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

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

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

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

### (s) *Related parties*

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

### (t) *Segment reporting*

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

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

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (t) Segment reporting (CONT'D)

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

#### (i) Business segments

The Group comprises the following main business segments:

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

#### (ii) Geographical segments

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

## 3 TURNOVER

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

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

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 4 INCOME

### (a) Other revenue

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

### (b) Other net income

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



# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 5 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 6 FINANCE COST FOR NON-BANKING OPERATIONS

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

Notes:

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

## 7 TAXATION

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

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

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

## NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

### 7 TAXATION (CONT'D)

(b) Taxation in the balance sheet represents:

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

### 8 DIRECTORS' REMUNERATION

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

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

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

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

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

## NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

### 8 DIRECTORS' REMUNERATION (CONT'D)

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

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

### 9 EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

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

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

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

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

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

## 11 DIVIDENDS

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

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

## 12 EARNINGS PER SHARE

### (a) Basic earnings per share

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

### (b) Diluted earnings per share

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

### (c) Reconciliations

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 13 SEGMENT INFORMATION

### Business segments

Revenue and expenses

For the year ended 30 June 2002

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 13 SEGMENT INFORMATION (CONT'D)

### Business segments (CONT'D)

#### Revenue and expenses (CONT'D)

For the year ended 30 June 2001

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 13 SEGMENT INFORMATION (CONT'D)

### *Business segments (CONT'D)*

*Assets and liabilities*

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



# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 13 SEGMENT INFORMATION (CONT'D)

### Business segments (CONT'D)

Other information

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 13 SEGMENT INFORMATION (CONT'D)

### Geographical segments

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 14 FIXED ASSETS

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 14 FIXED ASSETS (CONT'D)

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

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

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

## 15 INTEREST IN SUBSIDIARIES

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

## NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

### 15 INTEREST IN SUBSIDIARIES (CONT'D)

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

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 15 INTEREST IN SUBSIDIARIES (CONT'D)

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

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

## NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

### 15 INTEREST IN SUBSIDIARIES (CONT'D)

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

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 15 INTEREST IN SUBSIDIARIES (CONT'D)

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

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



## NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

### 15 INTEREST IN SUBSIDIARIES (CONT'D)

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

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 15 INTEREST IN SUBSIDIARIES (CONT'D)

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

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 15 INTEREST IN SUBSIDIARIES (CONT'D)

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

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 15 INTEREST IN SUBSIDIARIES (CONT'D)

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

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

Notes:

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 16 INTEREST IN ASSOCIATES

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

Details of the principal associates are as follows:

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 17 INTEREST IN JOINTLY CONTROLLED ENTITIES

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

Details of jointly controlled entities are as follows:

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

Note: These companies are operating in Hong Kong.

## NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

### 18 OTHER NON-CURRENT FINANCIAL ASSETS

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

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

### 19 GOODWILL

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

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

## NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

### 20 DEVELOPMENT PROPERTIES

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

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

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

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

### 21 PROPERTIES HELD FOR SALE

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

### 22 OTHER ASSETS

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

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



# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 23 OTHER INVESTMENTS IN SECURITIES

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

### Notes:

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

## NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

### 24 OTHER PAYABLES AND PROVISION

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

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

### 25 CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

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

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

Note:

The bank loans are secured by the following:

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

## NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

### 26 NON-CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

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

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

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

## NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

### 27 DEFERRED TAXATION

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

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

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

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

### 28 MINORITY INTERESTS

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

## NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

### 29 SHARE CAPITAL

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

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

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

#### Share Option Scheme

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

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 30 RESERVES

### (a) The Group

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 30 RESERVES (CONT'D)

### (a) The Group (CONT'D)

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 30 RESERVES (CONT'D)

### (b) The Company

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

#### Notes:

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

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

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

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

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

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



# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 31 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

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

### (b) Analysis of changes in financing during the year

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

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

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

	The Group	
	2002	2001
	\$'000	\$'000
Cash and short term funds	<u>1,713,480</u>	<u>2,993,808</u>

### (d) Acquisition of subsidiaries

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

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

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

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

## NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

### 32 STAFF RETIREMENT SCHEME

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

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

### 33 POST BALANCE SHEET EVENTS

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

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

### 34 CONTINGENT LIABILITIES

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 35 COMMITMENTS

Operating lease arrangements

(i) *As lessee*

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

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

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

(ii) *As lessor*

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

	The Group	
	2002	2001
	\$'000	\$'000
Within 1 year	2,769	—
After 1 year but within 5 years	1,558	—
	<u>4,327</u>	<u>—</u>

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 36 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Banking transactions

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

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

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

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

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

(ii) *Balance as at 30 June*

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

### (b) Management fee

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

### (c) Mandatory Provident Fund Scheme

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

## 37 HONG KONG DOLLAR AMOUNTS

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

## LIST OF PROPERTIES

### A. MAJOR DEVELOPMENT PROPERTIES OF THE SUBSIDIARIES

Property	Intended use	Stage of completion	Expected Temporary Occupation Permit ("TOP") date	Site area sq. m	Gross floor area sq. m	Group's interest %
Sanctuary Green situated at Tanjong Rhu Road	Residential	Substructure, superstructure and architectural works in progress	Phase 1 12/2003  Phase 2 6/2004	23,551	66,040	49
The Gardens at Bishan situated at Sin Ming Ave/Sin Ming Walk	Residential	Substructure, superstructure and architectural works in progress	Phase 1 3/2004  Phase 2 12/2004	34,949	87,373	49
Le Crescendo situated at Paya Lebar Road	Residential	Main contract awarded	1/2006	12,323	26,176	54
Bishan Point situated at Sin Ming Ave/Bright Hill Drive	Residential	Calling of construction tenders	*	6,800	19,038	54
Nathan Place situated at Nathan Road	Residential	Planning	*	4,421	6,189	54
Paterson Residence situated at Paterson Road	Residential	Planning	*	7,774	16,327	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 Tampines Expressway/Elias Road Junction	Residential	Planning	*	4,429	4,230	54

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

## LIST OF PROPERTIES

### **B. 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
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
Wu Chung House 33rd to 35th Floors 213 Queen's Road East Hong Kong	Office rental	From 25 May 1992 to 30 June 2047
Overseas Trust Bank Building 17th to 19th, 22nd, 24th to 27th Floors Penthouse and Car Parking Spaces nos. 9-14 on 2nd Floor 160 Gloucester Road Hong Kong	Office rental	99 years lease with effect from 1 July 1927 renewable for a further term of 99 years
The Center 15th Floor 99 Queen's Road Central Hong Kong	Office rental	From 24 November 1995 to 30 June 2047