
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Document or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Guoco Group Limited, you should at once hand this Document and the accompanying form of acceptance and transfer to the purchaser or other transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. This Document should be read in conjunction with the accompanying form of acceptance and transfer, the contents of which form part of the terms of the Offer.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this Document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this Document.



Guoline Overseas Limited

(Incorporated in Bermuda with limited liability)



Guoco Group Limited

國浩集團有限公司

(Incorporated in Bermuda with limited liability)

UNCONDITIONAL MANDATORY CASH OFFER BY

**Standard
Chartered**



STANDARD CHARTERED BANK

**FOR AND ON BEHALF OF GUOLINE OVERSEAS LIMITED
FOR ALL THE ISSUED ORDINARY SHARES
OF US\$0.50 EACH IN THE SHARE CAPITAL OF GUOCO GROUP LIMITED
(OTHER THAN THOSE ORDINARY SHARES ALREADY
OWNED OR AGREED TO BE ACQUIRED BY
GUOLINE OVERSEAS LIMITED)**

**Independent Financial Adviser to the Independent Board Committee of
Guoco Group Limited**



ACCESS
CAPITAL

A letter from the board of directors of Guoco Group Limited is set out on pages 6 to 10 of this Document. A letter from Standard Chartered Bank containing, amongst other things, details of the terms of the Offer is set out on pages 11 to 17 of this Document.

A letter from the Independent Board Committee containing its recommendations in relation to the Offer is set out on pages 18 and 19 of this Document. A letter from Access Capital Limited containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 20 to 33 of this Document.

The tender offer in the United States is being made pursuant to an exemption from certain US tender offer rules provided by Rule 14d-1(c) under the Exchange Act. **US Shareholders should read Section 6(b) of Appendix I to this Document.**

The Offeror or its nominees or brokers (acting as agents for the Offeror) may, in accordance with applicable law, including applicable exemptions from Rule 14e-5 under the Exchange Act, make certain purchases of Offer Shares in the market or otherwise during the period in which the Offer remains open. Such purchases will be announced by press release. Information about such purchases will be made available by press release in Hong Kong and the United States.

The Offer is being made in the United States by the Offeror. References in this Document and in the form of acceptance and transfer to the Offer being made by Standard Chartered Bank on behalf of the Offeror should be read and construed accordingly.

The procedure for acceptance of the Offer is set out on page 16 of, and Appendix I to, this Document and in the accompanying form of acceptance and transfer. Acceptances of the Offer should be received by the Registrar no later than 4:00 p.m. on Friday, 7 May 2004 (or such later time and/or date as the Offeror may decide and announce and in compliance with the Takeovers Code).

This Document contains certain forward-looking statements regarding future business and financial prospects and other matters. These forward-looking statements are generally identified by words such as “may”, “will”, “expect”, “anticipate”, “believe”, “estimate”, “plan”, “intend” and similar expressions. Forward-looking statements are based on management’s current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed and thus Shareholders should not place undue reliance on any or these forward-looking statements. Any forward-looking statements are qualified in their entirety by reference to the other information presented in this Document.

The contents of this Document, for which the persons named in Section 1 of Appendix IV to this Document are responsible on the basis set out in such Section 1, have been approved by Standard Chartered Bank for the purposes of Section 21 of the United Kingdom Financial Services and Markets Act 2000.

16 April 2004

CONTENTS

	<i>Page</i>
Definitions	1
Expected timetable	5
Letter from the Board	6
Letter from Standard Chartered Bank	11
Letter from the Independent Board Committee	18
Letter from Access Capital	20
Appendix I – Further terms of the Offer	34
Appendix II – Financial information of the Group	43
Appendix III – Property valuations	122
Appendix IV – General and other information	132

DEFINITIONS

In this Document, unless the context otherwise requires, the following terms and expressions shall have the following meanings:

“Access Capital”	Access Capital Limited, a deemed licensed corporation licensed to carry out Types 1, 4, 6 and 9 regulated activities under the SFO and the independent financial adviser to the Independent Board Committee in relation to the Offer
“Announcement”	the announcement made by the Offeror dated 26 March 2004 in connection with the Offer
“Board”	the board of Directors
“CCASS”	Central Clearing and Settlement System, established and operated by Hong Kong Securities Clearing Company Limited
“Closing Date”	4:00 p.m. on Friday, 7 May 2004, or, if the Offer is extended, the closing date of the Offer as extended in accordance with the Takeovers Code
“Company” or “Guoco”	Guoco Group Limited, a company incorporated in Bermuda with limited liability, the Ordinary Shares of which are listed on the Stock Exchange
“Company Securities”	the Ordinary Shares, and any securities convertible into, or warrants or options over, the Ordinary Shares or any outstanding derivatives in respect of the Ordinary Shares
“Completion”	completion of the Sale and Purchase Agreement
“Concert Parties”	the parties acting in concert (as that term is defined in the Takeovers Code) with the Offeror
“Directors”	the directors of the Company
“Disclosure Period”	has the meaning ascribed in Section 3 of Appendix IV to this Document
“Document”	this composite offer and response document jointly issued by the Company and the Offeror to the Shareholders dated 16 April 2004 in respect of the Offer
“Exchange Act”	the U.S. Securities and Exchange Act of 1934, as amended

DEFINITIONS

“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Executive Share Option Scheme”	the executive share option scheme of the Company adopted on 30 July 1991 and which expired on 30 July 2001
“Facilities Agreement”	the facilities agreement dated 26 March 2004 between: (a) the Offeror as Borrower; (b) Barclays Capital (the investment banking division of Barclays Bank PLC) and Standard Chartered Bank Corporate Finance as mandated lead arrangers; (c) certain financial institutions as original lenders; (d) Barclays Bank PLC as Facility Agent; and (e) Security Agent, relating to a credit facility of up to HK\$11,140,000,000, details of which are set out in Section 11 of Appendix IV to this Document
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Leong”	Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia
“Independent Board Committee”	the independent committee of the Board comprising Messrs Sat Pal Khattar and Harry Richard Wilkinson, who are the independent non-executive Directors and appointed to advise the Independent Shareholders in respect of the Offer
“Independent Shareholders”	Shareholders other than the Offeror Parties
“Interim Dividend”	the interim dividend of the Company of HK\$0.40 per Ordinary Share in respect of the financial year ending 30 June 2004 paid on 6 April 2004 to Shareholders on the register of members of the Company on 2 April 2004
“Kuwait Investment Office”	Government of Kuwait Investment Authority, Kuwait Investment Office
“Latest Practicable Date”	13 April 2004, being the latest practicable date prior to the printing of this Document for ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer”	the unconditional mandatory cash offer made by Standard Chartered Bank for and on behalf of the Offeror for the Offer Shares
“Offer Period”	the period commencing on 26 March 2004 and ending on the Closing Date
“Offer Shares”	the Ordinary Shares not already owned, or agreed to be acquired, by the Offeror
“Offeror”	Guoline Overseas Limited, a company incorporated in Bermuda with limited liability and an indirect wholly owned subsidiary of Hong Leong
“Offeror Parties”	the Offeror and the Concert Parties
“Ordinary Share(s)”	ordinary share(s) of US\$0.50 each in the issued share capital of the Company
“Registrar”	Computershare Hong Kong Investor Services Limited of Rooms 1712-6, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, the branch share registrar of the Company
“RM”	ringgit Malaysia, the lawful currency of Malaysia
“S\$”	Singapore dollar(s), the lawful currency of Singapore
“Sale and Purchase Agreement”	the unconditional sale and purchase agreement dated 26 March 2004 between the Offeror and Kuwait Investment Office
“Sale Shares”	the 71,172,395 Ordinary Shares representing approximately 21.63% of the issued share capital of the Company sold pursuant to the Sale and Purchase Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of Ordinary Shares
“Standard Chartered Bank”	Standard Chartered Bank, a registered institution registered for types 1, 4, 6 and 9 regulated activities under the SFO and the financial adviser to the Offeror in relation to the Offer

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“US\$” and “\$”	US dollar(s), the lawful currency of the United States of America from time to time

EXPECTED TIMETABLE

Despatch of this Document	Friday, 16 April 2004
Closing date of the Offer	Friday, 7 May 2004
Latest time for acceptance of the Offer (<i>Note 1</i>)	4:00 p.m. on Friday, 7 May 2004
Announcement of the results of the Offer to be published	Monday, 10 May 2004
Latest date for posting of remittances in respect of valid acceptances of the Offer received on or before the Closing Date (<i>Note 2</i>)	Monday, 17 May 2004

Notes:

- 1 While the Offeror has no intention of extending the Offer beyond the Closing Date, it reserves the right to do so.
- 2 Remittances in respect of Ordinary Share(s) tendered by a Shareholder under the Offer will be posted to the relevant Shareholder by ordinary post at his/her own risk as soon as possible, but in any event within 10 days following the date of receipt of a valid form of acceptance and transfer, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof). Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

All references to time in this Document are to Hong Kong time.

LETTER FROM THE BOARD



Guoco Group Limited **國浩集團有限公司**

(Incorporated in Bermuda with limited liability)

Directors:

Quek Leng Chan (*Executive Chairman*)

Kwek Leng Hai (*President, CEO*)

Sat Pal Khattar**

Kwek Leng San *

Tan Lim Heng

James Eng, Jr.

Harry Richard Wilkinson**

Jamal Al-Babtain*

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Principal office:

50th Floor, The Center

99 Queen's Road Central

Hong Kong

* *Non-executive Director*

** *Independent non-executive Director*

16 April 2004

To the Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
STANDARD CHARTERED BANK
FOR AND ON BEHALF OF GUOLINE OVERSEAS LIMITED
FOR ALL THE ISSUED ORDINARY SHARES
OF US\$0.50 EACH IN THE SHARE CAPITAL OF GUOCO GROUP LIMITED
(OTHER THAN THOSE ORDINARY SHARES ALREADY
OWNED OR AGREED TO BE ACQUIRED BY GUOLINE OVERSEAS LIMITED)**

INTRODUCTION

On 26 March 2004, the Offeror announced that, on 26 March 2004, the Offeror entered into an unconditional sale and purchase agreement with Kuwait Investment Office in relation to the purchase of 71,172,395 Ordinary Shares, representing approximately 21.63% of the issued share capital of the Company at a price of HK\$58 per Ordinary Share and that Completion of the Sale and Purchase Agreement was expected to take place on 6 April 2004. On 6 April 2004, the Offeror announced that completion of the Sale and Purchase Agreement had taken place on 6 April 2004. As a result, the Offeror Parties' holding of Ordinary Shares increased from 144,409,219 Ordinary Shares representing 43.89% of the entire issued share capital of the Company to 215,581,614 Ordinary Shares representing approximately 65.52% of the entire issued share capital of the Company. Of the 144,409,219 Ordinary Shares owned by the Offeror Parties before Completion, 137,046,740 Ordinary Shares (representing approximately 41.65% of the entire issued share capital of the Company) were owned by the Offeror and 7,362,479

LETTER FROM THE BOARD

Ordinary Shares (representing approximately 2.24% of the entire issued share capital of the Company) were owned by the Concert Parties. Of the 215,581,614 Ordinary Shares owned by the Offeror Parties following Completion, 208,219,135 Ordinary Shares (representing approximately 63.28% of the entire issued share capital of the Company) were owned by the Offeror and 7,362,479 Ordinary Shares (representing approximately 2.24% of the entire issued share capital of the Company) were owned by the Concert Parties. Under Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory offer for the Ordinary Shares not already owned, or agreed to be acquired, by the Offeror Parties. Standard Chartered Bank, for and on behalf of the Offeror, is making the Offer for all the Ordinary Shares not already owned, or agreed to be acquired, by the Offeror. The principal terms of the Offer are set out in the letter from Standard Chartered Bank on pages 11 to 17 of this Document and further terms of the Offer are set out in Appendix I to this Document and in the accompanying form of acceptance and transfer.

The Independent Board Committee comprising Messrs Sat Pal Khattar and Harry Richard Wilkinson has been formed in accordance with Rule 2.1 of the Takeovers Code to consider and advise the Independent Shareholders on the terms of the Offer. None of the other Directors are considered to be independent for the purposes of giving recommendations in respect of the Offer. The reasons for this are as follows:

- (a) Messrs Quek Leng Chan, Kwek Leng Hai and Kwek Leng San are all directors of the Offeror;
- (b) Messrs Tan Lim Heng and James Eng, Jr. are executive Directors and salaried employees of the Company's subsidiaries; and
- (c) Mr Jamal Al-Babtain is the Vice President of Kuwait Investment Office and acts in accordance with the instructions of Kuwait Investment Office.

Access Capital has been appointed as independent financial adviser to advise the Independent Board Committee on the terms of the Offer.

The purpose of this Document, of which this letter forms a part, is to provide you with further information on the Group and with details of the Offer. Your attention is drawn to the respective letters from the Independent Board Committee containing its advice in respect of the Offer and Access Capital, the independent financial adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in respect of the Offer set out on pages 18 and 19 and pages 20 to 33 of this Document, respectively.

Terms defined in this Document of which this letter forms a part shall have the same meanings in this letter unless the context requires otherwise.

THE OFFER

Standard Chartered Bank, for and on behalf of the Offeror, is making the Offer on the following basis:

For each Offer Share HK\$58 in cash

LETTER FROM THE BOARD

If within 12 months following Completion any of the Offeror Parties makes a general offer (other than the Offer) (a “**Subsequent Offer**”) to acquire Ordinary Shares (other than the Ordinary Shares held by the Offeror Parties) at a price per Ordinary Share higher than the price per Ordinary Share under the Offer which, if conditional, becomes or is declared unconditional, the Offeror will pay to the Shareholders who have accepted the Offer an amount equal to the amount by which the final offer price per Ordinary Share under the Subsequent Offer exceeds the final offer price per Ordinary Share under the Offer within 10 days after the Subsequent Offer is declared unconditional in all respects or, if already unconditional, within 10 days after the date of posting to Shareholders the offer document containing the offer at the higher price.

The Offeror has stated that it has no intention to increase the price per Offer Share from HK\$58.

Further terms and conditions of the Offer, including the procedures for acceptance, are contained in the letter from Standard Chartered Bank set out on pages 11 to 17 of this Document as well as in Appendix I to this Document and in the accompanying form of acceptance and transfer.

Mr Quek Leng Chan, executive chairman of the Company, who held 1,656,325 Ordinary Shares as at the Latest Practicable Date, has indicated to the Company that he will not accept the Offer in respect of his Ordinary Shares.

Mr Kwek Leng Hai, who held 2,820,775 Ordinary Shares as at the Latest Practicable Date, has indicated to the Company that he will not accept the Offer in respect of his Ordinary Shares.

Mr Sat Pal Khattar, who held 691,125 Ordinary Shares as at the Latest Practicable Date, has indicated to the Company that he will not accept the Offer in respect of his Ordinary Shares.

Mr Kwek Leng San, who held 209,120 Ordinary Shares as at the Latest Practicable Date, has indicated to the Company that he will not accept the Offer in respect of his Ordinary Shares.

Mr Tan Lim Heng, who held 559,230 Ordinary Shares as at the Latest Practicable Date, has indicated to the Company that he will not accept the Offer in respect of his Ordinary Shares.

Mr James Eng, Jr., who held 565,443 Ordinary Shares as at the Latest Practicable Date, has indicated to the Company that he will not accept the Offer in respect of his Ordinary Shares.

Mr Harry Richard Wilkinson, who held 5,000 Ordinary Shares as at the Latest Practicable Date, has indicated to the Company that he will not accept the Offer in respect of his Ordinary Shares.

LETTER FROM THE BOARD

CONTINUATION OF LISTING

The Stock Exchange has indicated that if, upon the closing of the Offer, less than 25% of the issued share capital of the Company is held in public hands or if the Stock Exchange believes that a false market exists or may exist in the trading of the Ordinary Shares or there are insufficient Ordinary Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Ordinary Shares.

The Stock Exchange has stated that if the Company remains as a listed company, the Stock Exchange will closely monitor all future acquisitions or disposals of assets by the Group. Any acquisitions or disposals of assets by the Group will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has the discretion to require the Company to issue an announcement and/or a circular to Shareholders irrespective of the size of any proposed transaction, particularly where such proposed transaction represents a departure from the principal activities of the Group. The Stock Exchange also has the power pursuant to the Listing Rules to aggregate a series of acquisitions and disposals of assets by the Group and any such acquisitions and disposals of assets may result in the Company being treated as if it were a new listing applicant and subject to the requirements for new listing application as set out in the Listing Rules.

INFORMATION ON THE GROUP

The Company was incorporated in Bermuda with limited liability and its Ordinary Shares are listed on the Stock Exchange. The principal activities of the Group include treasury and investment management, stock and commodity broking, investment advisory, insurance and property investment and development.

The following table sets out a summary of the audited consolidated results of the Group for the three years ended 30 June 2003 and the unaudited consolidated results of the Group for the six months ended 31 December 2003:

	For the year ended 30 June			For the six months ended 31 December
	2001 <i>HK\$ '000</i>	2002 <i>HK\$ '000</i>	2003 <i>HK\$ '000</i>	2003 <i>HK\$ '000</i>
Turnover	11,902,177	2,086,380	2,337,341	1,266,546
Net profit for the year/period	21,264,139	1,580,695	1,225,032	1,231,195

As at 30 June 2003, the audited consolidated net tangible assets of the Group were approximately HK\$28,847.6 million. As at 31 December 2003, the Company's unaudited consolidated net tangible assets were approximately HK\$29,669.4 million. The surplus arising from valuation of properties and property interests of the Group as at 29 February 2004 as set out in Appendix III to this Document amounted to approximately HK\$392 million.

LETTER FROM THE BOARD

Further financial information of the Group is set out in Appendix II to this Document.

PROPOSED CHANGES TO THE BOARD OF THE COMPANY

One of the Directors, Mr Jamal Al-Babtain, is expected to resign upon the first Closing Date. Other than the change to the Board referred to above, the Board notes, as disclosed in the letter from Standard Chartered Bank set out on pages 11 to 17 of this Document, that the Offeror has no intention to make any significant changes to the existing management or employees of the Group.

FURTHER INFORMATION

Your attention is drawn to the letter from Standard Chartered Bank and to Appendix I to this Document which contain details of the terms of the Offer.

Your attention is also drawn to the letters from the Independent Board Committee and Access Capital and to the additional information set out in the other appendices to this Document.

Yours faithfully,
For and on behalf of the Board
Quek Leng Chan
Executive Chairman

LETTER FROM STANDARD CHARTERED BANK



STANDARD CHARTERED BANK

Standard Chartered Bank
Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

16 April 2004

To the Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
STANDARD CHARTERED BANK
FOR AND ON BEHALF OF GUOLINE OVERSEAS LIMITED
FOR ALL THE ISSUED ORDINARY SHARES
OF US\$0.50 EACH IN THE SHARE CAPITAL OF GUOCO GROUP LIMITED
(OTHER THAN THOSE ORDINARY SHARES ALREADY
OWNED OR AGREED TO BE ACQUIRED BY GUOLINE OVERSEAS LIMITED)**

On 26 March 2004, the Offeror announced that the Offeror had entered into an unconditional sale and purchase agreement with Kuwait Investment Office in relation to the purchase of 71,172,395 Ordinary Shares, representing approximately 21.63% of the issued share capital of the Company at a price of HK\$58 per Ordinary Share and that Completion was expected to take place on 6 April 2004. On 6 April 2004, the Offeror announced that Completion had taken place on 6 April 2004. As a result, the Offeror Parties' holding of Ordinary Shares increased from 144,409,219 Ordinary Shares representing 43.89% of the entire issued share capital of the Company to 215,581,614 Ordinary Shares representing approximately 65.52% of the entire issued share capital of the Company. Of the 144,409,219 Ordinary Shares owned by the Offeror Parties before Completion, 137,046,740 Ordinary Shares (representing approximately 41.65% of the entire issued share capital of the Company) were owned by the Offeror and 7,362,479 Ordinary Shares (representing approximately 2.24% of the entire issued share capital of the Company) were owned by the Concert Parties. Of the 215,581,614 Ordinary Shares owned by the Offeror Parties following Completion, 208,219,135 Ordinary Shares (representing approximately 63.28% of the entire issued share capital of the Company) were owned by the Offeror and 7,362,479 Ordinary Shares (representing approximately 2.24% of the entire issued share capital of the Company) were owned by the Concert Parties. Under Rule 26.1 of the Takeovers Code, the Offeror is obliged to make a general offer for all the Ordinary Shares not already owned, or agreed to be acquired, by the Offeror Parties. Accordingly, Standard Chartered Bank hereby makes the unconditional mandatory cash offer, for and on behalf of the Offeror, for all the Ordinary Shares not already owned, or agreed to be acquired, by the Offeror.

LETTER FROM STANDARD CHARTERED BANK

This letter sets out details of the terms of the Offer, together with information relating to the Offeror and its intention regarding the future business of the Group. Your attention is also drawn to the letter from the Board, which is set out on pages 6 to 10 of this Document, the letter from the Independent Board Committee, which is set out on pages 18 and 19 of this Document and the letter from Access Capital, which is set out on pages 20 to 33 of this Document.

THE SALE AND PURCHASE AGREEMENT

On 26 March 2004, the Offeror entered into a sale and purchase agreement with Kuwait Investment Office for the acquisition of the Sale Shares details of which are as follows:

- Seller:** Kuwait Investment Office.
- Buyer:** Guoline Overseas Limited.
- Sale Shares:** 71,172,395 Ordinary Shares, representing approximately 21.63% of the entire issued share capital of the Company as at the Latest Practicable Date.

The Sale Shares were acquired free from all liens, charges, encumbrances, equities and adverse interests and with all rights attached or accruing thereto at date of Completion excluding the right to receive the Interim Dividend.

- Consideration:** HK\$4,127,998,910 (equivalent to HK\$58 per Sale Share), which was negotiated and determined on an arm's length basis between Kuwait Investment Office and the Offeror.

In addition to the HK\$58 per Sale Share the Offeror has agreed to pay the following amounts to Kuwait Investment Office in respect of the Sale Shares:

- (a) if pursuant to the Offer the price per Ordinary Share offered to the Shareholders is higher than HK\$58 per Ordinary Share, an amount equal to the difference between such higher price per Ordinary Share and HK\$58 per Ordinary Share in respect of each of the Sale Shares; and
- (b) if within 12 months following Completion any of the Offeror Parties makes a general offer (other than the Offer) (a "**Subsequent Offer**") to acquire Ordinary Shares (other than the Ordinary Shares held by the Offeror Parties) at a price per Ordinary Share higher than HK\$58 per Ordinary Share (or any increased price referred to in paragraph (a) above), which, if conditional, becomes or is declared unconditional, an amount equal to the amount by which the final offer price per Ordinary Share under the Subsequent Offer exceeds HK\$58 (or any increased price payable under the Offer).

LETTER FROM STANDARD CHARTERED BANK

Payment of any additional amounts due under terms set out in paragraphs (a) and (b) above will be made within 10 days after the relevant general offer (that is the Offer or the relevant Subsequent Offer) is declared unconditional in all respects or, if already unconditional, within 10 days after the date of posting to Shareholders the offer document containing the offer at the higher price.

Completion: Completion of the Sale and Purchase Agreement took place on 6 April 2004.

The arrangements described in paragraph (a) next to the heading “Consideration” above constitute a special deal under Rule 25 of the Takeovers Code. However, the Executive has given its consent to such a deal on the basis that the Offeror confirms that it has no intention to increase the price per Ordinary Share under the Offer from HK\$58.

The Executive has ruled that the arrangements described in paragraph (b) next to the heading “Consideration” above do not constitute a special deal under Rule 25 of the Takeovers Code since the Offeror will pay to the Shareholders who accept the Offer an additional amount on the terms referred to in paragraph (b) next to the heading “Consideration” above.

THE OFFER

Standard Chartered Bank, for and on behalf of the Offeror, is making the Offer to acquire all the Offer Shares on, and subject to, the terms and conditions set out in this letter and Appendix I to this Document and in the accompanying form of acceptance and transfer on the following basis:

for each Offer Share HK\$58 in cash

If within 12 months following Completion any of the Offeror Parties makes a general offer (other than the Offer) (a “**Subsequent Offer**”) to acquire Ordinary Shares (other than the Ordinary Shares held by the Offeror Parties) at a price per Ordinary Share higher than the price per Ordinary Share under the Offer, the Offeror will pay to the Shareholders who have accepted the Offer an amount equal to the amount by which the final offer price per Ordinary Share under the Subsequent Offer exceeds the final offer price per Ordinary Share under the Offer within 10 days after the Subsequent Offer is declared unconditional in all respects or, if already unconditional, within 10 days after the date of posting to Shareholders the offer document containing the offer at the higher price.

The Offeror has no intention to increase the price per Offer Share from HK\$58.

The price per Offer Share of HK\$58 under the Offer represents:

- a discount of approximately 5.7% to the closing price of HK\$61.50 per Ordinary Share as quoted on the Stock Exchange on 25 March 2004, being the last trading day prior to the Announcement;
- a discount of approximately 5.5% to the average closing price of HK\$61.35 per Ordinary Share over the 10 trading days up to and including 25 March 2004, being the last trading day prior to the Announcement;

LETTER FROM STANDARD CHARTERED BANK

- a discount of approximately 3.2% to the average closing price of HK\$59.91 per Ordinary Share over the 20 trading days up to and including 25 March 2004, being the last trading day prior to the Announcement;
- a discount of approximately 2.1% to the average closing price of HK\$59.22 per Ordinary Share over the 60 trading days up to and including 25 March 2004, being the last trading day prior to the Announcement; and
- a discount of approximately 9.0% to the closing price of HK\$63.75 per Ordinary Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a discount of approximately 35.9% to the unaudited consolidated net tangible asset value per Ordinary Share of approximately HK\$90.44 as at 31 December 2003 (based on the unaudited consolidated net tangible asset value of the Company of about HK\$29,760.5 million and 329,051,373 Ordinary Shares in issue as stated in the last published interim report of the Company). It should be noted that the unaudited consolidated net tangible asset value has not taken into account the goodwill of an associated company, which information was not available for inclusion in the published interim report.

As at the Latest Practicable Date, the Company did not have any outstanding warrants, options or other convertible securities.

Total consideration

As at the Latest Practicable Date, there were 329,051,373 Ordinary Shares in issue. At a cash offer price of HK\$58 per Ordinary Share the Offer values the entire issued share capital of the Company at approximately HK\$19,085 million. In the event that the Offer was accepted in full, the aggregate amount payable by the Offeror would be approximately HK\$7,008 million. Standard Chartered Bank is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer.

The consideration of HK\$58 per Offer Share payable in respect of the Offer will be financed by the Offeror from banking facilities arranged specifically for the Offer. The terms of such facilities are summarized in Section 11 of Appendix IV to this Document.

Unconditional Offer

The Offer is unconditional.

Effect of accepting the Offer

Ordinary Shares to be acquired under the Offer will be acquired free from all liens, charges and encumbrances and together with all rights attaching thereto as at 26 March 2004, including the right to receive all dividends and distributions declared, paid or made on or after 26 March 2004 but excluding the Interim Dividend.

Acceptance of the Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

LETTER FROM STANDARD CHARTERED BANK

Stamp Duty

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer amounting to 0.1% of the consideration payable in respect of the relevant acceptance by the Shareholders will be deducted from the consideration due to such person on acceptance of the Offer. The Offeror will arrange for payment of the stamp duty in connection with such sale.

INFORMATION ON THE OFFEROR AND HONG LEONG

The Offeror was incorporated in Bermuda on 16 September 1993 and is an indirect wholly owned subsidiary of Hong Leong.

The Offeror is an investment holding company, the main asset of which is the Ordinary Shares it holds in the Company.

Hong Leong was incorporated in Malaysia on 6 May 1968. Hong Leong is a holding company, the subsidiaries of which are engaged in the businesses of financial services, manufacturing, trading and distribution, and property investment and development.

Hong Leong is a family investment company. The directors of Hong Leong are set out in Section 13(g) of Appendix IV to this Document.

INTENTION OF THE OFFEROR REGARDING THE GROUP

Business

It is the intention of the Offeror that the Company will continue with its existing businesses. The Offeror has no plan to redeploy any fixed assets of the Company. All future acquisitions or disposals of assets by the Company will be subject to the provisions of the Listing Rules.

Directors, Management and Employees

It is the intention of the Offeror that all existing Directors, other than Mr Jamal Al-Babtain who is expected to resign upon the first Closing Date, will remain on the Board. The Offeror has no intention to make any significant changes to the existing management or the employees of the Group other than the change of Director mentioned above.

REASONS FOR MAKING THE OFFER

As a result of Completion, the Offeror Parties hold an aggregate shareholding of approximately 65.52% of the entire issued share capital of the Company and the Offeror is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the Ordinary Shares not already owned, or agreed to be acquired, by the Offeror Parties.

LETTER FROM STANDARD CHARTERED BANK

COMPULSORY ACQUISITION AND CONTINUATION OF LISTING

If the Offeror receives valid acceptances of the Offer for not less than 90% in value of the Ordinary Shares for which the Offer is made the Offeror intends to apply the provisions of section 102 of the Companies Act 1981 of Bermuda to compulsorily acquire any outstanding Ordinary Shares and to apply for a de-listing of Ordinary Shares from the Stock Exchange. However, if the Offeror receives acceptances of the Offer for less than 90% of the Ordinary Shares for which the Offer is made, it is the intention of the directors of the Offeror that the listing of the Ordinary Shares on the Stock Exchange should be maintained and appropriate steps will be taken by the Offeror as soon as possible following the closing of the Offer to ensure that not less than 25% of the Ordinary Shares will be held in public hands.

The Stock Exchange has indicated that if, upon the closing of the Offer, less than 25% of the issued share capital of the Company is held in public hands or if the Stock Exchange believes that a false market exists or may exist in the trading of the Ordinary Shares or there are insufficient Ordinary Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Ordinary Shares.

The Stock Exchange has stated that if the Company remains as a listed company, the Stock Exchange will closely monitor all future acquisitions or disposals of assets by the Group. Any acquisitions or disposals of assets by the Group will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has the discretion to require the Company to issue an announcement and/or a circular to its Shareholders irrespective of the size of any proposed transaction, particularly where such proposed transaction represents a departure from the principal activities of the Group. The Stock Exchange also has the power pursuant to the Listing Rules to aggregate a series of acquisitions and disposals of assets by the Group and any such acquisitions and disposals of assets may result in the Company being treated as if it were a new listing applicant and subject to the requirements for new listing application as set out in the Listing Rules.

ACCEPTANCE AND SETTLEMENT

Procedures for acceptance of the Offer

To accept the Offer, you should complete and sign the accompanying form of acceptance and transfer in accordance with the instructions printed thereon, which form part of the terms and conditions of the Offer.

The completed form of acceptance and transfer should then be forwarded, together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Ordinary Shares in respect of which you intend to accept the Offer, by post or by hand marked “**Guoline Overseas Limited – Offer**” on the envelope to the Registrar as soon as practicable after the receipt of the form(s) of acceptance and transfer but in any event to reach the Registrar by no later than 4:00 p.m. on 7 May 2004 or such later date as the Offeror may determine and announce with the consent of the Executive. No acknowledgement of receipt of any form(s) of acceptance and transfer, share certificate(s), transfer receipt(s) or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

LETTER FROM STANDARD CHARTERED BANK

Your attention is also drawn to the Section 1 of Appendix I to this Document.

Settlement of the Offer

Provided that a valid form of acceptance and transfer and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order and have been received by the Registrar on or before 4:00 p.m. on 7 May 2004, a cheque for the amount due to the Shareholder in respect of the Ordinary Shares tendered by him/her under the Offer, less seller's ad valorem stamp duty payable by him/her, will be despatched to the Shareholder by ordinary post at his/her own risk as soon as possible, but in any event within 10 days following the date on which all relevant documents are received by the Registrar to render such acceptance complete and valid.

The attention of the Shareholders with registered addresses outside Hong Kong is drawn to Section 6 of Appendix I to this Document.

All documents and remittances sent by or to the Shareholders through the post will be sent by or to them at their own risk and none of the Offeror, Standard Chartered Bank nor the Registrar will be responsible for any loss or delay in transmission. Such documents and remittances will be sent to the Shareholders at their respective addresses as they appear in the register of members of the Company or, in the case of joint Shareholders, to the Shareholder whose name appears first in such register of members.

TAXATION

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Offer. It is emphasised that none of the Offeror, Standard Chartered Bank or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance of the Offer.

NO RIGHT OF WITHDRAWAL

Acceptance of the Offer shall be irrevocable and shall not be capable of being withdrawn, subject to the Takeovers Code.

ADDITIONAL INFORMATION

Your attention is also drawn to the further terms of the Offer and the additional information as set out in the appendices to this Document.

Yours faithfully,
For and on behalf of
Standard Chartered Bank
Melvin Teo **Michael Tse**
Director *Associate Director*
Corporate Advisory *Corporate Advisory*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Guoco Group Limited
國浩集團有限公司

(Incorporated in Bermuda with limited liability)

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal office:
50th Floor, The Center
99 Queen's Road Central
Hong Kong

16 April 2004

To the Independent Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
STANDARD CHARTERED BANK
FOR AND ON BEHALF OF GUOLINE OVERSEAS LIMITED
FOR ALL THE ISSUED ORDINARY SHARES
OF US\$0.50 EACH IN THE SHARE CAPITAL OF GUOCO GROUP LIMITED
(OTHER THAN THOSE ORDINARY SHARES ALREADY
OWNED OR AGREED TO BE ACQUIRED BY GUOLINE OVERSEAS LIMITED)**

INTRODUCTION

We refer to the composite offer and response document dated 16 April 2004 issued jointly by the Company and the Offeror (the "Document") of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Document, unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to consider the terms of the Offer and to make recommendations to the Independent Shareholders in respect of the Offer. Access Capital has been appointed as the independent financial adviser to advise us in respect of the terms of the Offer.

We wish to draw your attention to the letter from the Board and the letter from Standard Chartered Bank set out on pages 6 to 10 and pages 11 to 17 of the Document respectively which contain (amongst other things) details of the Offer and other relevant information on the Group and the Offeror. Please also refer to the letter from Access Capital set out on pages 20 to 33 of the Document for its advice and recommendation to us in relation to the terms of the Offer.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

The Independent Board Committee has resolved to adopt the advice of Access Capital as to the fairness and reasonableness of the Offer. Accordingly, we consider that the terms of the Offer are not fair and reasonable so far as the Independent Shareholders are concerned, and we advise the Independent Shareholders to consider not to accept the Offer.

Notwithstanding the above, we would like to point out that, as explained by Access Capital in its letter of advice set out on pages 20 to 33 of the Document, the Offer price per Ordinary Share represents a discount of around 5.5% and 5.7% to the average closing price of the Ordinary Shares of the last 10 trading days before the Announcement, as well as the closing price of the Ordinary Shares as at the last trading day before the Announcement respectively. The Ordinary Shares have been traded below the Offer price for a period of time until recently in January 2004 and the liquidity of Ordinary Shares has been generally low. The Offer, therefore, represents an opportunity, which otherwise has not been available in the past 12 months, for Independent Shareholders, especially those with relatively larger shareholdings, to realise their investment in the Company at the higher end of the trading range, without having an adverse impact on the price of the Ordinary Shares in the market.

We would like to advise those Independent Shareholders who, having regard to their own circumstances, wish to realise whole or part of their Ordinary Shares to closely monitor the market price and the liquidity of the Ordinary Shares in the market during the Offer Period. However, we wish to emphasise that there is no certainty that the Ordinary Shares will continue to trade at current levels or that the current trading volume of the Ordinary Shares will be sustainable.

Independent Shareholders should read carefully the procedures for accepting the Offer as detailed in Appendix I to the Document and are strongly advised before making any decision to realise or to hold their investment in the Ordinary Shares to carefully consider their individual circumstances and investment objectives.

Yours faithfully,
Independent Board Committee
Sat Pal Khattar Harry Richard Wilkinson
Independent non-executive Directors

LETTER FROM ACCESS CAPITAL

The following is the full text of the letter from Access Capital setting out its advice to the Independent Board Committee in relation to the Offer and for the inclusion in the Document.



Suite 606, 6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

16 April 2004

*The Independent Board Committee of
Guoco Group Limited*

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH OFFER BY
STANDARD CHARTERED BANK
FOR AND ON BEHALF OF GUOLINE OVERSEAS LIMITED
FOR ALL THE ISSUED ORDINARY SHARES OF US\$0.50 EACH
IN THE SHARE CAPITAL OF
GUOCO GROUP LIMITED
(OTHER THAN THOSE ORDINARY SHARES ALREADY OWNED
OR AGREED TO BE ACQUIRED BY GUOLINE OVERSEAS LIMITED)**

1. INTRODUCTION

We refer to our engagement to advise the independent board committee (the “Independent Board Committee”) of Guoco Group Limited (the “Company”) with respect to the Offer. Details of the Offer are set out in the Document, of which this letter forms part. Terms used in this letter shall bear the same meaning as those defined in the Document unless otherwise specified.

2. INDEPENDENT BOARD COMMITTEE

The Board currently consists of four executive Directors, namely Mr. Quek Leng Chan, Mr. Kwek Leng Hai, Mr. Tan Lim Heng and Mr. James Eng, Jr.; two non-executive Directors, namely Mr. Kwek Leng San and Mr. Jamal Al-Babtain; and two independent non-executive Directors, namely Mr. Sat Pal Khattar and Mr. Harry Richard Wilkinson.

The Independent Board Committee comprising Mr. Sat Pal Khattar and Mr. Harry Richard Wilkinson has been established to consider the terms of the Offer and to advise the Independent Shareholders thereon.

LETTER FROM ACCESS CAPITAL

In assessing the eligibility of the Directors to serve on the Independent Board Committee, we have taken into account the confirmation statements to the Executive by each of the Directors with respect to their interests in the Company and have noted that: (1) Messrs. Quek Leng Chan, Kwek Leng Hai, and Kwek Leng San are directors of the Offeror; (2) Messrs. Tan Lim Heng and James Eng, Jr. are executive Directors and salaried employees of the Company's subsidiaries; and (3) Mr. Jamal Al-Babtain is the Vice President of Kuwait Investment Office ("KIO") (the vendor of the Sale Shares) and acts in accordance with the instructions of KIO. Based on the foregoing, we consider that Messrs. Quek Leng Chan, Kwek Leng Hai, Kwek Leng San, Tan Lim Heng, James Eng, Jr., and Jamal Al-Babtain are not eligible to serve as members of the Independent Board Committee, and thus only Messrs. Sat Pal Khattar and Harry Richard Wilkinson will be eligible to serve on the Independent Board Committee.

We have been appointed by the Independent Board Committee to advise them as to whether the terms of the Offer are fair and reasonable in so far as the Independent Shareholders are concerned, and to give our opinion in relation to the Offer for their consideration in making their recommendation to the Independent Shareholders.

3. BASES AND ASSUMPTIONS OF THE ADVICE

In formulating our recommendation, we have relied on, to a considerable extent, the statements, information, opinion and representations contained in the Document, and the information and representations provided to us by the Company. We have assumed that all such statements, information, assumptions, expectations, opinions and representations contained or referred to in the Document or otherwise as are provided by the Company and for which it is solely responsible were true, accurate and valid in all material respects at the time they were made and given and continue to be true and valid in all material respects as at the date of the Document. We have assumed that all the assumptions and opinions made or provided by the Directors contained in the Document have been reasonably made after their due and careful enquiry. We have also sought and obtained confirmation from the Company that no material facts in the context of the Offer have been omitted from the information provided and referred to in the Document. We have also assumed that all statements of belief, opinions and intentions of the Offeror as set out in the "Letter from Standard Chartered Bank" of the Document have been reasonably made after due and careful enquiry by the Offeror.

We consider that we have reviewed all currently available information and documents which are available under the present circumstances to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent in-depth investigation into the business and affairs of the Company or any of its subsidiaries.

LETTER FROM ACCESS CAPITAL

4. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

4.1 Background to and the terms of the Offer

On 26 March 2004, the Company received notification from the Offeror that it had entered into an unconditional sale and purchase agreement with KIO in relation to the purchase of 71,172,395 Ordinary Shares, representing approximately 21.63% of the issued share capital of the Company at a price of HK\$58 per Ordinary Share. Completion of the Sale and Purchase Agreement took place on 6 April 2004.

Following completion of the Sale and Purchase Agreement, the Offeror Parties together own an aggregate of 215,581,614 Ordinary Shares, representing approximately 65.52% of the entire issued share capital of the Company. Under Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional offer for all the Ordinary Shares not already owned or agreed to be acquired by the Offeror Parties.

Standard Chartered Bank, for and on behalf of the Offeror, is making the Offer on the following basis:

For each Offer Share HK\$58 in cash

As at the Latest Practicable Date, the Company did not have any outstanding warrants, options or other convertible securities.

At present, there are 329,051,373 Ordinary Shares in issue. At a cash offer price of HK\$58 per Ordinary Share, the Offer values the entire issued share capital of the Company at approximately HK\$19,085 million.

4.2 Recent financial performance, future outlook of the Group and intention of the Offeror

4.2.1 Recent financial performance and future outlook of the Group

The following tables summarise the audited consolidated results of the Group for the years ended 30 June 2001, 2002 and 2003 respectively and the unaudited consolidated results of the Group for the six months ended 31 December 2003.

For the year ended 30 June	Net profit after taxation (HK\$'000)	Earnings per Ordinary Share (basic) (HK\$)	Shareholders' funds as at 30 June (HK\$'000)	Dividend per Ordinary Share (HK\$)
2001	21,264,139	49.83	32,110,229	0.80
2002	1,580,695	4.31	27,905,937	1.10
2003	1,225,032	3.76	28,864,743	1.10

LETTER FROM ACCESS CAPITAL

Shareholders should note that for the year ended 30 June 2001, there was a significant increase in basic earnings per Ordinary Share due to the disposal of the Group's entire interest in a 71.2% subsidiary group, Dao Heng Bank Group Limited, which resulted in a profit on disposal for that year of approximately HK\$22,630 million.

After the disposal of the Group's major asset, the investment in Dao Heng Bank Group Limited, as mentioned above, the Group faced the challenge of generating adequate returns to the Shareholders for the financial year ended 30 June 2002. The Group carried out streamlining initiatives and successfully achieved a level of operating profits and earnings per Ordinary Share comparable to the level reached before the disposal. The Group faced a slump in the global financial markets during the financial year ended 30 June 2003. Given the volatile and unpredictable economic conditions at that time, the Group decided to adopt a conservative investment approach until more favorable investment conditions presented themselves.

As mentioned in the Chairman's statement accompanying the 2003 Annual Report of the Group, the Group adopted a policy to maintain liquidity in order that resources could be invested in opportunities that would maximise Shareholders' return.

For the 6 months ended 31 December	Net profit after taxation (HK\$'000)	Earnings per Ordinary Share (basic) (HK\$)	Shareholders' funds as at 31 December (HK\$'000)	Dividend per Ordinary Share (HK\$)
2001	545,945	1.33	27,127,902	0.20
2002	440,513	1.36	28,218,599	0.40
2003	1,231,195	3.76	29,638,904	0.40

As mentioned in the Group's interim report for the six months ended 31 December 2003, the Group has been expanding its investment infrastructure in order to better manage its treasury operations and investment funds, as well as to pursue investment opportunities on a global basis. Against this backdrop, and coupled with the Group's disciplined approach to investing as well as its concerted effort to implement and adhere to stringent risk control guidelines vis-a-vis the Group's overall risk management procedures, the Group returned a net profit for the abovementioned half year period in excess of the net profit recorded for the preceding 12 month period.

Out of the abovementioned half-year results (for the six months ended 31 December 2003), the Group's treasury, fund, and investment management activities continued to represent the largest element of the Group's contribution from operations. Despite uncertainties over issues such as future interest rates, exchange rate movements and short-term liquidity flows, all of which could result in a high degree of market volatility, the Group is cautiously optimistic about its outlook for the coming few months.

LETTER FROM ACCESS CAPITAL

4.2.2 Intention of the Offeror

The Offeror has stated in the “Letter from Standard Chartered Bank” that if the Offeror receives valid acceptances of the Offer for not less than 90% in value of the Ordinary Shares for which the Offer is made, the Offeror intends to apply the provisions of section 102 of the Companies Act 1981 of Bermuda to compulsorily acquire any outstanding Ordinary Shares and to apply for a de-listing of the Ordinary Shares from the Stock Exchange. However, if the Offeror receives acceptances of the Offer for less than 90% of the Ordinary Shares for which the Offer is made, it is the intention of the Offeror to maintain the listing of the Ordinary Shares and that it will take appropriate steps as soon as possible following the closing of the Offer to ensure that not less than 25% of the Ordinary Shares will be held in public hands.

Shareholders’ attention is drawn to the fact that the Offeror has agreed to pay the following amounts to KIO in respect of the Sale Shares:

- (a) if pursuant to the Offer, the price per Ordinary Share offered to the Shareholders is higher than HK\$58 per Ordinary Share, an amount equal to the difference between such higher price per Ordinary Share and HK\$58 per Ordinary Share in respect of each of the Sale Shares; and
- (b) if within 12 months following Completion, any of the Offeror Parties makes a general offer (other than the Offer) (a “Subsequent Offer”) to acquire Ordinary Shares (other than the Ordinary Shares held by the Offeror Parties) at a price per Ordinary Share higher than the HK\$58 per Ordinary Share (or any increased price referred to in paragraph (a) above), an amount equal to the amount by which the final offer price per Ordinary Share under the Subsequent Offer exceeds such amount.

The Offeror has stated that if within 12 months following Completion, any of the Offeror Parties makes a Subsequent Offer (as defined above) to acquire Ordinary Shares (other than the Ordinary Shares held by the Offeror Parties) at a price per Ordinary Share higher than the price per Ordinary Share under the Offer, the Offeror will pay to the Shareholders who have accepted the Offer an amount equal to the amount by which the final offer price per Ordinary Share under the Subsequent Offer exceeds the final offer price per Ordinary Share under the Offer within 10 days after the Subsequent Offer is declared unconditional in all respects or, if already unconditional, within 10 days after the date of posting to Shareholders the offer document containing the offer at the higher price.

As stated in the “Letter from Standard Chartered Bank”, the Offeror has confirmed that it has no intention to increase the price per Ordinary Share under the Offer from HK\$58. In the same letter, the Offeror stated its intention:

- (i) To continue with the Company’s existing businesses. It has no plan to redeploy any fixed assets of the Company. In the event of any future acquisitions or disposals of assets of the Company, such transactions will be subject to the provisions of the Listing Rules.

LETTER FROM ACCESS CAPITAL

- (ii) Not to make any significant changes to the existing management (including the Board of Directors, other than Mr. Jamal Al-Babtain who is expected to resign upon first Closing Date).
- (iii) Not to introduce any significant changes to the existing employees of the Group.

4.3 Share price performance

The Offer price HK\$58 per Ordinary Share represents:

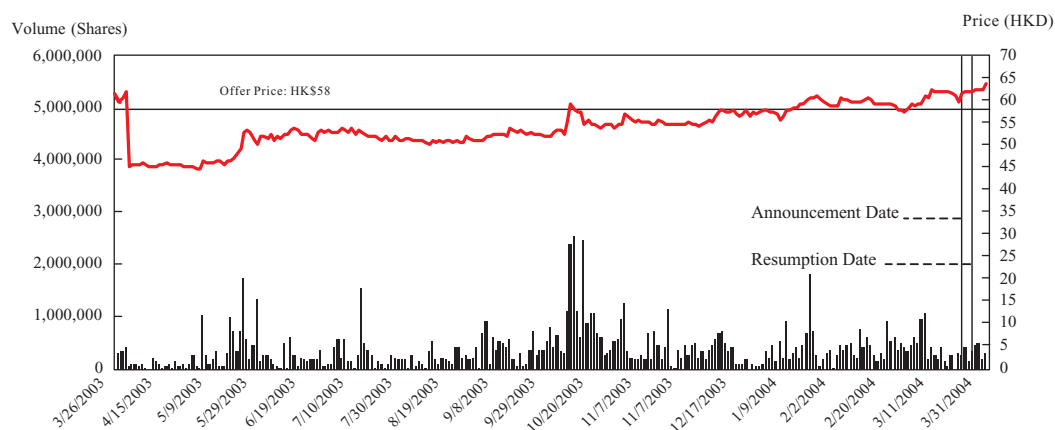
- a discount of approximately 9.0% to the closing price of HK\$63.75 per Ordinary Share as quoted on the Stock Exchange on 13 April 2004, the Latest Practicable Date;
- a discount of approximately 5.7% to the closing price of HK\$61.50 per Ordinary Share as quoted on the Stock Exchange on 25 March 2004, being the last trading day prior to the date of the Announcement;
- a discount of approximately 5.5% to the average closing price of HK\$61.35 per Ordinary Share over the 10 trading days up to and including 25 March 2004;
- a discount of approximately 3.2% to the average closing price of HK\$59.91 per Ordinary Share over the last 20 trading days up to and including 25 March 2004;
- a discount of approximately 2.1% to the average closing price of HK\$59.22 per Ordinary Share over the last 60 trading days up to and including 25 March 2004;
- a discount of approximately 35.9% to the unaudited consolidated net tangible asset value (“NTA”) per Ordinary Share of approximately HK\$90.44 as of 31 December 2003 (based on the unaudited consolidated net tangible asset value of the Company of about HK\$29,760.5 million and 329,051,373 Ordinary Shares in issue as stated in the last published interim report of the Company, which excludes the surplus arising from the valuation of properties and property interests of the Group as at 29 February 2004 of approximately HK\$392 million as mentioned in Section 5 of Appendix II to the Document). It should also be noted that the unaudited consolidated net tangible asset value does not take into account the goodwill of an associated company, as such information was not available for inclusion in the published interim report;
- a price-to-earnings ratio (“PER”) of approximately 15.43 times, based on the published basic earnings per Ordinary Share of HK\$3.76 for the financial year ended 30 June 2003; and
- a dividend yield of approximately 1.90%, based on the total dividend per Ordinary Share of HK\$1.10 for the financial year ended 30 June 2003.

The highest and lowest closing price of the Ordinary Shares as quoted on the Stock Exchange during the six months period preceding the last trading date of the Announcement were HK\$62.25 per Ordinary Share on 17 March 2004 and HK\$51.75 per Ordinary Share on 30 September 2003 respectively.

LETTER FROM ACCESS CAPITAL

The graph below illustrates the daily closing prices of Ordinary Shares on the Stock Exchange for the period from 26 September 2003 (the first trading day twelve months prior to the date of the Announcement) to the Latest Practicable Date (both dates inclusive):

Price Volume Histogram



Source: Bloomberg

As shown above, the Ordinary Shares have been trading below the Offer Price for a period of time until recently in January 2004. Since 14 January 2004 and up to the date of the Announcement, the closing price of the Ordinary Shares ranged from HK\$57.25 to HK\$62.25 per Ordinary Share.

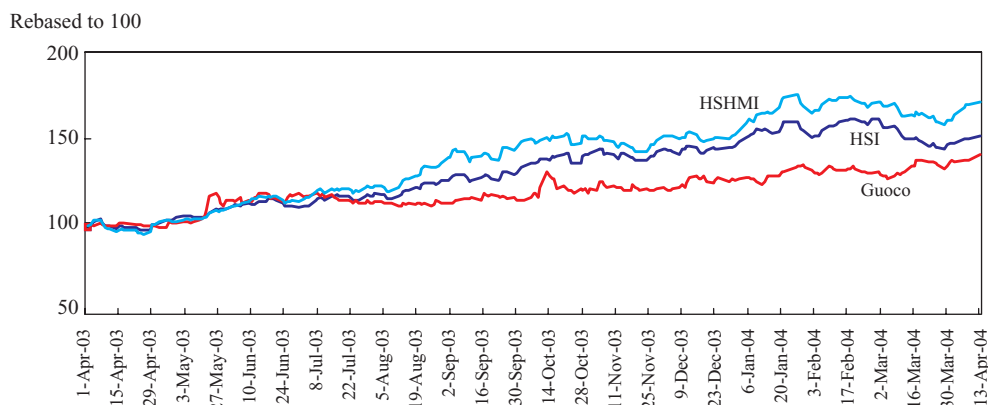
Following the announcement of the Offer and resumption of trading of the Ordinary Shares on 29 March 2004 and up to and including the Latest Practicable Date, the Ordinary Shares have traded above the Offer price of HK\$58 per Ordinary Share, closing within a range of HK\$59.75 to HK\$63.75 per Ordinary Share.

We have discussed with the Company the possible reasons for the trading performance of the Ordinary Shares but could not identify any conclusive reasons for such trading performance.

Shareholders should note that there is no assurance that the price of the Ordinary Shares will remain at the current level if the Offer closes. In particular, Shareholders should note that the Offeror has confirmed that it has no intention to increase the price per Ordinary Share under the Offer from HK\$58.

LETTER FROM ACCESS CAPITAL

Market Relative Performance



Source: Bloomberg

As shown above, during the period under review, the Ordinary Shares have consistently underperformed the Hang Seng Index and the Hang Seng Hong Kong Mid-Cap Index. In addition, the Ordinary Shares have for the past six months leading up to the Latest Practicable Date traded at a relatively constant level.

4.4 Turnover of the Ordinary Shares

The table below sets out the six-month average daily trading volume of Ordinary Shares for four six-month periods beginning on 1 April 2002 up to the Latest Practicable Date, with the trading volume shown as a percentage of the issued share capital of the Company and also as a percentage of the Ordinary Shares held by the public:

	Average daily trading volume of the Ordinary Shares	Percentage of total issued share capital of the Company (Note 1)	Percentage of public float (Note 2)
Six-month period to Sep 02	254,760	0.08%	0.25%
Six-month period to Mar 03	133,402	0.04%	0.13%
Six-month period to Sep 03	287,873	0.09%	0.28%
Six-month period to the Latest Practicable Date	473,644	0.14%	0.47%

Source: Bloomberg

Notes:

- These were computed based on the Ordinary Shares in issue as at the last day of that period.
- For the purpose of this letter, public float of the Company refers to the 100,742,438 Ordinary Shares held by the Shareholders other than Offeror Parties as at the last day of that period.

LETTER FROM ACCESS CAPITAL

The trading volume of the Ordinary Shares, as shown in the table above, has been below 1% of the Company's total issued share capital and free float. Effectively the liquidity for the Ordinary Shares is generally low.

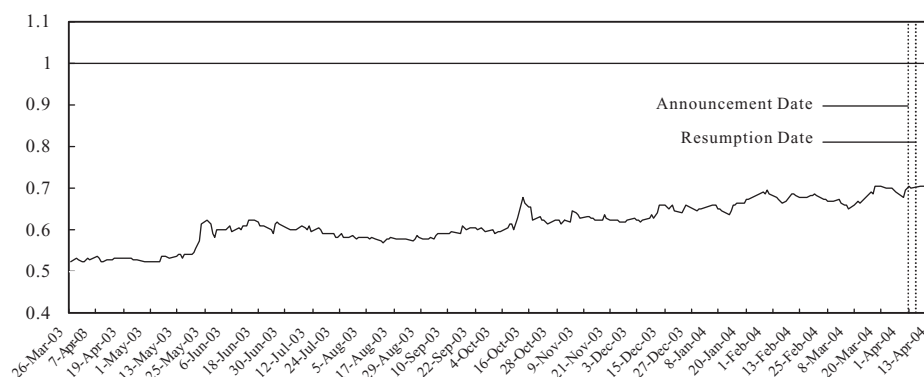
We have not found any material factors that would explain the recent minor increase in trading volume in the Ordinary Shares over the six month period preceding the Latest Practicable Date, but do note the overall improved economic climate and market sentiment, as reflected in the performance of the above indices for the same period.

4.5 Financial information

4.5.1 Net asset value

The principal activity of the Company is investment holding and the asset base of the Company is comprised primarily of property interests, investments and a net cash balance of approximately HK\$15,174 million (equivalent to approximately HK\$46.1 per Ordinary Share) as at 31 December 2003. As at 31 December 2003, the Company's unaudited consolidated Shareholders' funds amounted to approximately HK\$29,639 million. The following table illustrates the price per Ordinary Share for the period from 26 March 2003 to the Latest Practicable Date (both dates inclusive) against the Company's net asset value as at 31 December 2003 ("NAV"):

Price to NAV Ratio



Source: Bloomberg

Note: According to Bloomberg, the above chart ratio is based on the Company's price per Ordinary Share divided by the Company's book value per Ordinary Share, of which the book value is based on the Company's reported book value figure for the relevant period.

As shown above, the Ordinary Shares have consistently traded at a discount to the NAV of around 28% to 48% during the period under reviewed.

LETTER FROM ACCESS CAPITAL

The following table compares the Offer price with the net tangible asset value of the Company:

Offer price per Ordinary Share	HK\$58.00
Discount to unaudited consolidated NTA per Ordinary Share of approximately HK\$90.44 as at 31 December 2003, as stated in the Announcement. ⁽¹⁾	35.9%

Note: (1) Excludes the surplus arising from valuation of the properties and property interests of the Group as at 29 February 2004 of approximately HK\$392 million as mentioned in Section 5 of Appendix II to the Document.

4.5.2 Net cash and financial assets positions

The following table compares the Offer price with the cash and financial assets positions of the Group:

As at 31 December 2003	HK\$'000	Per Ordinary Share figure <i>(Note)</i> HK\$	Premium/ (discount) over/to the Offer price of HK\$58 per Ordinary Share
(1) Gross cash position	19,838,585	60.29	3.95%
(2) Bank loans and other borrowings	4,664,663		
(3) Net cash position = (1) less (2)	15,173,922	46.11	(20.50%)
(4) Other (non-current assets) financial assets and (current assets) investment in securities ("Financial Assets")	7,313,549	22.23	NA
(5) Net cash position and Financial Assets = (3) plus (4)	22,487,471	68.34	17.83%

Note: Based on 329,051,373 Ordinary Shares in issue as at the Latest Practicable Date.

As shown in the above table, a high proportion of the Group's assets is in cash and investments in financial assets. In addition, the Offer price of HK\$58.00 per Ordinary Share also represents a discount to the Group's the various cash and near cash assets as stated above.

We have not been able to perform any comparable companies analyses regarding the price to the NAV ratio as we were unable to identify companies with business operations or assets compositions that are comparable to the Group.

LETTER FROM ACCESS CAPITAL

The only recent general offer precedent we have noted is the sale of the controlling interest in and the related general offer for the shares of Kim Eng Holdings (Hong Kong) Limited (“KEH”) announced on 16 December 2003. KEH is principally engaged in the provision of corporate finance and corporate advisory services to businesses in Hong Kong and in the PRC. Of KEH’s shareholders’ funds or consolidated net asset value of approximately HK\$196.6 million as at 30 September 2003, approximately HK\$156.6 million consisted of cash and short term deposits, and investments in repurchase agreements to purchase marketable bonds, which were classified as current assets on KEH’s balance sheet. With regard to the general offer for the shares of KEH, the offer price valued the entire issued share capital of KEH at approximately HK\$268.1 million, which represented a premium of approximately 36.4% over its consolidated net asset value.

Although KEH also held a high proportion of its assets in the form of cash and short-term investments, and the sale involved the controlling interest, this transaction was significantly smaller in value than the Offer for the Ordinary Shares. Accordingly, we would not consider the transaction to be directly comparable, and Shareholders should interpret any comparison between the respective general offers for the two companies with caution.

4.5.3 Earnings and future outlook

As at the Latest Practicable Date, the closing price per Ordinary Share was HK\$63.75, representing a PER of approximately 16.95 times of the basic earnings per Ordinary Share of HK\$3.76 for the year ended 30 June 2003.

The Offer price of HK\$58.00 per Ordinary Share represents a PER of approximately 15.43 times of the basic earnings per Ordinary Share of HK\$3.76 for the year ended 30 June 2003. For the six months ended 31 December 2003, the Company achieved a basic earnings per Ordinary Share for the period nearly equal to that which was achieved in the preceding 12 months period. As mentioned in the paragraph headed “4.2.1 Recent financial performance and future outlook of the Group” above, the Group faced a slump in the global financial markets during the financial year ended 30 June 2003. In the event that the results of the Group for the current financial year ending 30 June 2004 surpasses the results achieved in the last financial year ended 30 June 2003, the PER based on the Offer price in respect of the financial year ending 30 June 2004 would decline.

Based on the abovementioned historical PER of 15.43 times, this would be lower than the average historical PER of the Hang Seng Index of approximately 17.91 times and the Hang Seng Hong Kong Mid-Cap Index of approximately 41.85 times as at the Latest Practicable Date.

4.5.4 Dividends

The Company has declared a dividend payment of HK\$1.10 per Ordinary Share in each of the financial years ended 30 June 2002 and 30 June 2003 respectively, which corresponds to a dividend payout ratio of approximately 22.55% and 29.38% respectively. The Company has declared interim dividends of HK\$0.40 per Ordinary Share in respect of the results for the six months ended 31 December 2002 and 2003 respectively.

LETTER FROM ACCESS CAPITAL

The Offer price represents a historical dividend yield of approximately 1.90% based on the total dividend in respect of the year ended 30 June 2003. This is below the average historical dividend yield of the Hang Seng Index of approximately 3.05% and the Hang Seng Hong Kong Mid-Cap Index of approximately 2.80% as at the Latest Practicable Date.

It should be stressed that the abovementioned historical dividend yield is based on the total dividend payment for the year ended 30 June 2003, and that the Company achieved significant improvement in profitability in the six months to 31 December 2003. We are advised by the Directors that they are not in a position to make any estimate on the total dividend of the current financial year.

4.6 Other considerations

4.6.1 Comparison with the terms of the share repurchase offer in 2001 (the “Share Repurchase Offer”)

The following table summarises the comparison of the terms of the Share Repurchase Offer with the terms of the Offer. The strike price of this offer was fixed at HK\$50.00 per Ordinary Share.

	Share Repurchase Offer	The Offer
Offer price per Ordinary Share	HK\$50	HK\$58
Adjusted NTA/unaudited consolidated NTA per Ordinary Share	HK\$75.55	HK\$90.44*
Discount of the offer price per Ordinary Share to the adjusted NTA/unaudited consolidated NTA per Ordinary Share (<i>Note</i>)	33.82%	35.87%*
Net cash and Financial Assets per Ordinary Share	HK\$57.40	HK\$68.34*
Discount of the offer price per Ordinary Share to the net cash and Financial Assets per Ordinary Share (<i>Note</i>)	12.89%	15.13%*

Note: There were 427,131,086 Ordinary Shares and 329,051,373 Ordinary Shares in issue as at 8 September 2001 (the date of the announcement of the share repurchase offer) and 26 March 2004 (the date of the Announcement) respectively.

* Based on unaudited consolidated figures as at 31 December 2003.

As shown in the above table, the relative discounts of offer price to (i) the adjusted NTA and unaudited consolidated NTA respectively, and (ii) the net cash and Financial Assets, are marginally smaller in the case of the Share Repurchase Offer.

LETTER FROM ACCESS CAPITAL

4.6.2 Peers and similar recent transaction comparison

We have not been able to perform any comparable company analyses as we were unable to identify companies with business operations or assets compositions that are comparable to the Group.

Although we have mentioned the only similar recent transaction under the paragraph headed “4.5.2 Net cash and financial assets position” above, that case is, however, significantly smaller than the Company. Accordingly, we would not consider the transaction to be directly comparable.

5. RECOMMENDATION

Having considered the above principal factors and reasons, we draw your attention to the following key factors in arriving at our conclusions:

- (a) the significantly improved results of the Group in respect of the six months ended 31 December 2003 and a cautiously optimistic outlook for the Group as expressed in the latest interim result of the Company;
- (b) the Offer price represents a discount to the recently traded price of the Ordinary Shares;
- (c) the fact that the Ordinary Shares have generally under-performed the Hong Kong stock market in recent months with its historical PER trailing behind the relevant PERs of the Hang Sang Index and the Hang Seng Hong Kong Mid-Cap Index; and
- (d) the Offer price represents a significant discount to the Company’s unaudited consolidated NTA as at 31 December 2003 despite the high level of liquidity of the Company’s assets.

On this basis, we consider the Offer price of HK\$58 per Ordinary Share to be inadequate and that the Offer price undervalues the Ordinary Shares. We, therefore, consider the terms of the Offer as not fair and reasonable so far as the Independent Shareholders are concerned. In this regard, we recommend the Independent Board Committee to advise the Independent Shareholders to consider **not** accepting the Offer.

Notwithstanding the above, we would like to point out that, as explained in the paragraphs headed “4.3 Share price performance” and “4.4 Turnover of the Ordinary Shares”, the Offer price per Ordinary Share represents a discount of around 5.5% and 5.7% to the average closing price of the Ordinary Shares of the last 10 trading days before the Announcement, as well as the closing price of the Ordinary Shares as at the last trading day before the Announcement respectively. The Ordinary Shares have been traded below the Offer price for a period of time until recently in January 2004 and the liquidity of Ordinary Shares has been generally low. The Offer, therefore, represents an opportunity, which otherwise has not been available in the past 12 months, for Independent Shareholders, especially those with relatively larger shareholdings, to realise their investment in the Company at the higher end of the trading range, without having an adverse impact on the price of the Ordinary Shares in the market.

LETTER FROM ACCESS CAPITAL

We would like to advise those Independent Shareholders who, having regard to their own circumstances, wish to realise whole or part of their Ordinary Shares to closely monitor the market price and the liquidity of the Ordinary Shares in the market during the Offer period. However, we wish to emphasize that there is no certainty that the Ordinary Shares will continue to trade at current levels or that the current trading volume of the Ordinary Shares will be sustainable.

Independent Shareholders should read carefully the procedures for accepting the Offer as detailed in Appendix I to the Document and are strongly advised before making any decision to realise or to hold their investment in the Ordinary Shares to carefully consider their individual circumstances and investment objectives.

Yours faithfully,
For and on behalf of
Access Capital Limited
Ambrose W.H. Lam
Chairman

1 FURTHER PROCEDURE FOR ACCEPTANCE

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Ordinary Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed form of acceptance and transfer together with the relevant Ordinary Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title to the Registrar.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Ordinary Shares is/are registered in the name of a nominee company or some name other than your own, and you wish to accept the Offer, you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title with the nominee company or other nominee, with instructions authorizing it to accept the Offer on your behalf and requesting it to deliver the form(s) of acceptance and transfer duly completed with the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title to the Registrar; or
 - (ii) arrange for the Ordinary Share(s) to be registered in your name(s) by the Company through the Registrar and send the form(s) of acceptance and transfer duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Ordinary Shares to the Registrar.
- (c) If your Ordinary Shares have been lodged with your licensed securities dealer/custodian bank through CCASS, you should instruct your licensed securities dealer/custodian bank to authorize HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited, in this case, on Thursday, 6 May 2004 which is one business day before the latest date on which acceptances of the Offer must be received by the Registrar. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/custodian bank as required by them.
- (d) If your Ordinary Shares have been lodged with your Investor Participant Account with CCASS, you should issue your instruction via the CCASS Phone System or CCASS Internet System no later than one business day before the latest date on which acceptances of the Offer must be received by the Registrar, which is Thursday, 6 May 2004.
- (e) If you have lodged (a) transfer(s) of any of your Ordinary Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer, you should nevertheless complete the form(s) of acceptance and transfer and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an authority to Standard Chartered Bank

and/or the Offeror or their respective agent(s) to collect from the Company or the Registrar on your behalf the share certificate(s) when issued and to deliver such share certificate(s) to the Registrar and to authorize and instruct the Registrar to hold such share certificate(s), subject to the terms of the Offer, as if it was/they were delivered to the Registrar with the form of acceptance and transfer.

- (f) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (or a satisfactory indemnity or indemnities in respect thereof) is/are not readily available and/or is/are lost and you wish to accept the Offer, the form(s) of acceptance and transfer should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other documents of title or that it is/they are not readily available. If the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title become(s) available they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s) you should write to the Registrar for a form of letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (g) Acceptance(s) of the Offer may, at the discretion of the Offeror, be treated as valid even if not accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, but in such cases, the cheque(s) for the consideration due will not be despatched until the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof) has/have been received by the Registrar.
- (h) Acceptances will be subject to validation and stamping before the consideration payable in respect thereof will be despatched to the persons entitled to it provided that the consideration shall be despatched no later than the tenth day after the date on which all the relevant documents are received by the Registrar to render acceptance of the Offer complete and valid.
- (i) An acceptance may not be counted towards fulfilling an acceptance condition unless:
 - (i) it is received by the Registrar on or before the latest time for acceptance set out in this Document and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received; and
 - (ii) the form of acceptance and transfer is duly completed and is:
 - accompanied by share certificate(s) in respect of the Ordinary Share(s) and, if those certificates are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Ordinary Share(s) in blank or in favour of you executed by the registered holder) in order to establish your right to become the registered holder of the relevant Ordinary Share(s); or

- from a registered holder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Ordinary Share(s) which are not taken into account under another sub-paragraph of this paragraph (ii)); or
- certified by the Registrar or the Stock Exchange.

If the form of acceptance and transfer is executed by a person other than you, appropriate evidence of authority (e.g. grant of probate or certified copy of a power of attorney) must be produced.

- (j) No acknowledgement of receipt for any form(s) of acceptance and transfer, share certificate(s), transfer receipt(s) and/or any other document(s) of title will be given.
- (k) The address of the Registrar is at Rooms 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

2 ACCEPTANCE PERIOD AND REVISIONS AND EXTENSIONS OF THE OFFER

- (a) While the Offeror has no intention of extending the Offer, it reserves the right to extend the Offer in accordance with the relevant provisions of the Takeovers Code. Unless the Offer has previously been extended, the Offer will lapse at 4:00 p.m. on 7 May 2004. Shareholders should note that the Offeror is not under any obligation to extend the Offer.
- (b) If the Offer is extended, the announcement of such extension will either state the next closing date or state that the Offer will remain open until further notice, in which case at least 14 days' notice will be given before the Offer is closed to those Shareholders who have not accepted the Offer. If the Offer is extended, it will remain open for acceptance for a period of not less than 14 days following the date of the announcement of the extension and, unless previously extended shall be closed at 4:00 p.m. on the subsequent closing date.

Except with the consent of the Executive, the Offer shall not be capable of remaining open for acceptance after four months from the posting of this Document unless, by that time, the Offeror has become entitled to exercise rights of compulsory acquisition.

- (c) If any closing date of the Offer is extended, any reference in this Document, the form of acceptance and transfer to the closing date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as so extended.

3 ANNOUNCEMENTS

- (a) By 6:00 p.m. (or such later time as the Executive permits) on a closing date the Offeror will inform the Executive and the Stock Exchange of its decision in relation to the extension or expiry of the Offer. The Offeror will publish a teletext announcement through the Stock Exchange by 7.00 p.m. on the closing date stating whether the Offer has been extended or has expired. The announcement will state the total number of Ordinary Shares and rights over Ordinary Shares:
- (i) for which acceptances of the Offer have been received;
 - (ii) held, controlled or directed by the Offeror or persons acting in concert with it before the Offer Period; and
 - (iii) acquired or agreed to be acquired during the Offer Period by the Offeror or any persons acting in concert with it.

The announcement will also include the details of voting rights, rights over Ordinary Shares, derivatives and arrangements as required in Rule 3.5(c), (d) and (f) of the Takeovers Code. The announcement will also specify the percentages of the relevant classes of share capital, and the percentages of voting rights, represented by these numbers.

If the Offeror is unable to comply with any requirements of Rule 19 of the Takeovers Code, the Executive may require the Shareholders who have tendered their form(s) of acceptance and transfer to accept the Offer be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements of Rule 19 can be met.

- (b) As required under the Takeovers Code and the Listing Rules, all announcements in relation to the Offer, will be published as a paid announcement in at least one leading English language newspaper and one leading Chinese language newspaper published daily and circulating generally in Hong Kong. Copies of all documents will be delivered to the Executive and the Stock Exchange (Listing Division) in electronic form, in accordance with their requirements from time to time for publication on their respective websites.
- (c) In computing the number of Ordinary Shares represented by acceptances, there may be included or excluded, for announcement purposes, acceptances which are not in all respects in order or which are subject to verification. The number of these acceptances will be separately stated.

4 RIGHT OF WITHDRAWAL

- (a) Subject to the Takeovers Code, acceptances shall be irrevocable and shall not be capable of being withdrawn, except in the circumstances set out in (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in Section 3 of this Appendix, the Executive may require that the accepting Shareholders be granted a right of withdrawal on terms acceptable to the Executive until the requirements set out in that Section are met.

5 SHARES ACQUIRED UNDER THE OFFER

The Ordinary Shares acquired under the Offer will be fully paid and free from all liens, charges, pledges, encumbrances and any other third-party rights or interests of any nature whatsoever and together with all rights, benefits, and entitlements attaching to them including the right to receive all dividends and distributions declared, made or paid on 26 March 2004 and afterwards other than the Interim Dividend. For the avoidance of doubt, such rights acquired by the Offeror do not include the right to receive the Interim Dividend.

6 OVERSEAS SHAREHOLDERS**(a) General**

The making of the Offer to persons resident in any jurisdiction outside Hong Kong may be affected by the laws of the relevant jurisdictions. Shareholders who are so resident should inform themselves about and observe any applicable legal requirements. It is the responsibility of each person who is a citizen, resident or national of a jurisdiction outside Hong Kong and who wishes to accept the Offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in such jurisdiction. Acceptance of the Offer by any such person will constitute a warranty by such person that such person is permitted under all applicable laws to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

(b) US Shareholders

- (i) The Offer in the United States is being made pursuant to an exemption from certain U.S. tender offer rules provided by Rule 14d-1(c) under the Exchange Act.
- (ii) The Offer is made for or in respect of the securities of a Bermuda company whose Ordinary Shares are listed on the Stock Exchange and is subject to Hong Kong disclosure requirements. Readers, and in particular U.S. readers, should be aware that this Document has been prepared in accordance with Hong Kong format and style, which differs from U.S. format and style and should be read accordingly. In particular, the Appendices to this Document contain information concerning the Offer that has been included to satisfy Hong Kong disclosure requirements that may be material and that in some cases has not been summarised elsewhere. In addition, the Group maintains its books and records in accordance with accounting principles

and practices mandated by Hong Kong accounting regulations. Such statements may not be comparable to financial statements of U.S. companies prepared in accordance with US generally accepted accounting principles.

- (iii) Takeover procedures under Hong Kong law differ from tender offer procedures under U.S. law. In particular, but without limitation, the acceptance and settlement procedures referred to in this Appendix differ from the U.S. tender offer rules in certain material respects, including with respect to the date of payment.
- (iv) In making their decision, Shareholders must rely on their own examination of the Offeror and the Company and the terms of the Offer, including the merits and risks involved. The contents of this Document, including any general advice or recommendations contained herein, and the form of acceptance and transfer are not to be construed as legal or business advice. Shareholders should consult with their own lawyer or financial adviser for legal or financial advice. Additionally, this document does not include any information with respect to U.S. taxation. Shareholders who may be subject to tax in the United States are urged to consult their tax adviser regarding the U.S. Federal, State, local and other tax consequences of owning and disposing Offer Shares.
- (v) The Offeror is a Bermuda company. Most of the Offeror's directors and executive officers are citizens or residents of countries other than the United States. A substantial portion of the assets of such persons and a substantial portion of the Offeror's assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or upon the Offeror or to enforce against them judgements of U.S. courts, including judgements predicated upon the civil liabilities provisions under the U.S. federal securities laws or the securities laws of any state or territory within the United States.
- (vi) The Offeror or its nominees or brokers (acting as agents for the Offeror) may, in accordance with applicable law, including applicable exemptions from Rule 14e-5 under the Exchange Act, make certain purchases of Offer Shares in the market or otherwise during the period in which the Offer remains open. Such purchases will be announced by press release. Information about such purchases will be made available by press release in Hong Kong and the United States.

7 FORM OF ACCEPTANCE AND TRANSFER

Each Shareholder by whom, or on whose behalf, a form of acceptance and transfer is executed irrevocably undertakes, represents, warrants and agrees to and with the Offeror, so as to bind him/her/it, his/hers/its personal representatives, heirs, successors and assigns, to the following effect:

- (a) that the execution of the relevant form of acceptance and transfer whether or not any boxes are completed shall constitute:
 - (i) an acceptance of the Offer in respect of the number of Ordinary Shares inserted or deemed to be inserted in such form on and subject to the terms and

conditions set out or referred to in this Document and in such form and that, subject only to the rights of withdrawal set out or referred to in Section 4 of this Appendix, each such acceptance shall be irrevocable; and

- (ii) an undertaking to execute any further documents, take any further actions and give any further assurances which may be required in connection with the foregoing including, without limitation, to secure the transfer of the Ordinary Shares in respect of which he/she/it has accepted or is deemed to have accepted the Offer to the Offeror and the benefit of all dividends and distributions declared, made or paid on 26 March 2004 and afterwards other than the Interim Dividend. For the avoidance of doubt, such rights acquired by the Offeror do not include the right to receive the Interim Dividend;
- (b) stamp duty at the rate of 0.1% of the consideration payable in respect of relevant acceptances will be deducted from the amount payable to the Shareholders who accept the Offer and the Offeror will arrange for payment;
- (c) the Ordinary Shares acquired under the Offer are sold by such person or persons fully paid and free from all liens, charges, pledges, encumbrances and any other third-party rights or interests of any nature whatsoever and together with all rights, benefits, and entitlements attaching and accruing to them and thereafter including the right to receive all dividends and distributions declared, made or paid on 26 March 2004 and afterwards other than the Interim Dividend. For the avoidance of doubt, such rights acquired by the Offeror do not include the right to receive the Interim Dividend;
- (d) that such Shareholder will deliver or procure the delivery to the Registrar of his/her/its share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof) in respect of all Ordinary Shares held by him/her/it in respect of which the Offer has been accepted or is deemed to have been accepted and not validly withdrawn, or an indemnity acceptable to the Offeror in lieu thereof, as soon as possible;
- (e) that the execution and delivery of the relevant form(s) of acceptance and transfer to the Registrar constitutes a separate and irrevocable authority and request to the Offeror to procure the despatch by post of a cheque in respect of any cash payment to which such Shareholder is entitled in connection with the Offer, at the risk of such Shareholder, to the person or agent whose name and address are set out in the relevant form(s) of acceptance and transfer or, if none is set out, to the first-named or the sole registered holder of the relevant Ordinary Shares at his/hers/its registered address showing in the register of members of the Company;
- (f) that the terms and conditions of the Offer contained in this Document shall be incorporated in and form part of the relevant form of acceptance and transfer, which shall be read and construed accordingly;
- (g) that in relation to the Offer, he/she/it will do all such acts and things as shall be necessary or expedient to vest in the Offeror, or its nominees or such other person as it may decide, the Ordinary Shares to which such acceptance relates;

- (h) acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Ordinary Shares indicated in the form of acceptance and transfer is the aggregate number of Ordinary Shares held by such nominee for such beneficial owners who are accepting the Offer;
- (i) the Offer and all acceptances thereof, the form of acceptance and transfer and all contracts made pursuant to the Offer, and all action taken or made or deemed to be taken or made pursuant to these terms are governed by and shall be construed in accordance with the laws of Hong Kong. Execution of a form of acceptance and transfer by or on behalf of the relevant Shareholder will constitute such Shareholder's submission in relation to all matters arising out of the Offer and the relevant form of acceptance and transfer to the non-exclusive jurisdiction of the courts of Hong Kong;
- (j) in relation to any acceptance of the Offer in respect of a holding of Ordinary Shares which is in uncertificated form, the Offeror's receiving agent reserves the right to make such alterations, additions or modifications as may be necessary or desirable to give effect to any purported acceptance of the Offer whether in order to comply with the formalities or requirements of CCASS or otherwise, provided such alterations additions or modifications are consistent with the requirements of the Takeovers Code or are otherwise made with the consent of the Executive;
- (k) the terms, provisions, instructions and authorities contained in or deemed to be contained in the form of acceptance and transfer constitute part of the terms of the Offer. The provisions set out in this Appendix shall be deemed to be incorporated into the form of acceptance and transfer; and
- (l) due execution of the form of acceptance and transfer in respect of the Offer will constitute an authority given to the Offeror, Standard Chartered Bank, any director of the Offeror or their respective agents to complete and execute on behalf of the Shareholders who accept the Offer, the form of acceptance and transfer and any document and, in relation to the Offer, to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as the Offeror shall direct, the Ordinary Shares which are the subject of such acceptance.

8 GENERAL

- (a) All communications, notices, forms of acceptance and transfer, share certificates, transfer receipts, other documents of title and remittances to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from the Shareholders, or their designated agents, at their own risk and none of the Offeror, Hong Leong, Standard Chartered Bank, the Company, Access Capital nor the Registrar accepts any liability for any loss in the post or other liabilities which may arise as a result.
- (b) The provisions set out in the enclosed form of acceptance and transfer form part of the Offer.
- (c) Notwithstanding any other provision as set out in this Appendix, the Offeror's receiving agent and Standard Chartered Bank reserve the right to treat acceptances as

valid if received by or on behalf of it at any place or places or in any manner determined by either of them otherwise than as set out in this Document or in the form of acceptance and transfer.

- (d) The accidental omission, if any, to despatch this Document, the accompanying form of acceptance and transfer or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (e) Settlement of the consideration to which any Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.
- (f) The English texts of this Document and of the form of acceptance and transfer will prevail over the respective Chinese texts.

1 THREE YEAR FINANCIAL RESULTS SUMMARY

Set out below is a summary of the audited consolidated results of Guoco for the last three years ended 30 June 2003. All figures were extracted from the published financial statements of Guoco for 2003, 2002 and 2001. For the year ended 30 June 2001, there was an extraordinary gain on disposal of subsidiaries of approximately HK\$22,630 million resulting from the disposal of the Group's entire interest in Dao Heng Bank Group Limited and its subsidiaries.

Consolidated income statement

	2003 <i>HK\$'M</i>	2002 <i>HK\$'M</i>	2001 <i>HK\$'M</i>
Turnover	<u>2,337</u>	<u>2,086</u>	<u>11,902</u>
Profit before taxation	1,430	1,466	21,854
Taxation	<u>(225)</u>	<u>(262)</u>	<u>(376)</u>
Profit after taxation	1,205	1,204	21,478
Minority interests	<u>20</u>	<u>377</u>	<u>(214)</u>
Profit attributable to shareholders	<u>1,225</u>	<u>1,581</u>	<u>21,264</u>
Dividends (Note 1)	<u>358</u>	<u>324</u>	<u>320</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Earnings per share (basic)	<u>3.76</u>	<u>4.31</u>	<u>49.83</u>
Earnings per share (diluted)	<u>3.74</u>	<u>4.20</u>	<u>49.60</u>

Notes:

	<i>HK\$'M</i>	<i>HK\$'M</i>	<i>HK\$'M</i>
1. Dividend paid			
Final dividend paid for the previous financial year	(227)	(194)	(235)
Interim dividend paid for the current financial year	<u>(131)</u>	<u>(130)</u>	<u>(85)</u>
	<u>(358)</u>	<u>(324)</u>	<u>(320)</u>

2 AUDITED FINANCIAL INFORMATION

The following financial information, together with the accompanying notes and supplementary financial information, are extracted from the annual report of Guoco for the year ended 30 June 2003.

Consolidated income statement

For the year ended 30 June 2003

	<i>Note</i>	2003 <i>US\$'000</i>	2002 <i>US\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	3	299,736	267,488	2,337,341	2,086,380
Cost of property sales		(179,581)	(112,896)	(1,400,373)	(880,578)
Other attributable costs		(18,299)	(28,103)	(142,696)	(219,201)
		101,856	126,489	794,272	986,601
Other revenue	4(a)	2,665	1,994	20,782	15,553
Other net income	4(b)	113,080	142,518	881,798	1,111,626
Administrative and other operating expenses		(25,380)	(40,892)	(197,913)	(318,953)
Operating profit before finance cost		192,221	230,109	1,498,939	1,794,827
Finance cost	6	(5,863)	(20,992)	(45,720)	(163,736)
Operating profit	14	186,358	209,117	1,453,219	1,631,091
Profit on disposal of subsidiaries		18,013	–	140,465	–
Profit on disposal of an associate		–	13,503	–	105,322
Impairment loss write back/(provided) on properties		11,449	(69,267)	89,279	(540,276)
Deficit on revaluation of investment properties		(74,531)	(1,452)	(581,193)	(11,325)
Provision write back on amount due from a jointly controlled entity		1,875	–	14,621	–
Net loss on disposal of investment properties		–	(13,438)	–	(104,815)
Operating profit on ordinary activities		143,164	138,463	1,116,391	1,079,997

APPENDIX II
FINANCIAL INFORMATION OF THE GROUP

	<i>Note</i>	2003 <i>US\$'000</i>	2002 <i>US\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Share of profits less losses of associates	5	40,199	49,783	313,472	388,302
Share of profits less losses of jointly controlled entities		24	(231)	187	(1,802)
Profit from ordinary activities before taxation	5	183,387	188,015	1,430,050	1,466,497
Taxation	7(a)	(28,913)	(33,620)	(225,464)	(262,233)
Profit after taxation		154,474	154,395	1,204,586	1,204,264
Minority interests		2,622	48,261	20,446	376,431
Profit attributable to shareholders	10	157,096	202,656	1,225,032	1,580,695
Appropriations:					
Final dividend paid	12	(29,164)	(24,933)	(227,431)	(194,449)
Interim dividend paid	12	(16,782)	(16,625)	(130,885)	(129,633)
Retained profit for the year		111,150	161,098	866,716	1,256,613

APPENDIX II
FINANCIAL INFORMATION OF THE GROUP

	<i>Note</i>	2003 <i>US\$'000</i>	2002 <i>US\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Retained in:					
The Company and its subsidiaries		86,363	132,501	673,427	1,033,559
Associates		24,763	28,828	193,102	224,856
Jointly controlled entities		24	(231)	187	(1,802)
		<u>111,150</u>	<u>161,098</u>	<u>866,716</u>	<u>1,256,613</u>
		<i>US\$</i>	<i>US\$</i>	<i>HK\$</i>	<i>HK\$</i>
Earnings per share					
Basic	<i>13</i>	<u>0.48</u>	<u>0.55</u>	<u>3.76</u>	<u>4.31</u>
Diluted	<i>13</i>	<u>0.48</u>	<u>0.54</u>	<u>3.74</u>	<u>4.20</u>
		<i>US\$'000</i>	<i>US\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed final dividend	<i>12</i>	<u>29,373</u>	<u>29,085</u>	<u>229,048</u>	<u>226,857</u>

Consolidated balance sheet*As at 30 June 2003*

		2003	2002	2003	2002
	<i>Note</i>	<i>US\$ '000</i>	<i>(restated)</i> <i>US\$ '000</i>	<i>HK\$ '000</i>	<i>(restated)</i> <i>HK\$ '000</i>
Non-current assets					
Fixed assets	<i>15</i>	232,897	255,778	1,816,131	1,995,043
Interest in associates	<i>17</i>	408,903	427,571	3,188,626	3,335,011
Interest in jointly controlled entities	<i>18</i>	(4,341)	(4,155)	(33,851)	(32,409)
Other non-current financial assets	<i>19</i>	89,589	89,406	698,615	697,358
Goodwill	<i>20</i>	(10,249)	(731)	(79,922)	(5,702)
		<u>716,799</u>	<u>767,869</u>	<u>5,589,599</u>	<u>5,989,301</u>
Current assets					
Development properties	<i>21</i>	512,289	515,926	3,994,830	4,024,171
Properties held for sale	<i>22</i>	60,941	66,394	475,218	517,867
Other assets	<i>23</i>	62,246	94,318	485,394	735,671
Other investments in securities	<i>24</i>	333,728	1,593,365	2,602,411	12,428,088
Cash and short term funds	<i>25</i>	2,932,952	1,675,898	22,871,160	13,071,837
		<u>3,902,156</u>	<u>3,945,901</u>	<u>30,429,013</u>	<u>30,777,634</u>
Current liabilities					
Other payables and provisions	<i>26</i>	60,097	103,742	468,636	809,177
Current portion of bank loans and other borrowings	<i>27</i>	383,414	350,229	2,989,862	2,731,751
Insurance funds		3,606	3,108	28,120	24,242
Taxation	<i>7(b)</i>	31,475	13,889	245,442	108,333
		<u>478,592</u>	<u>470,968</u>	<u>3,732,060</u>	<u>3,673,503</u>
Net current assets		<u>3,423,564</u>	<u>3,474,933</u>	<u>26,696,953</u>	<u>27,104,131</u>
Total assets less current liabilities		<u>4,140,363</u>	<u>4,242,802</u>	<u>32,286,552</u>	<u>33,093,432</u>

APPENDIX II
FINANCIAL INFORMATION OF THE GROUP

		2003	2002	2003	2002
	<i>Note</i>	<i>US\$'000</i>	<i>(restated)</i> <i>US\$'000</i>	<i>HK\$'000</i>	<i>(restated)</i> <i>HK\$'000</i>
Non-current liabilities					
Non-current portion of bank loans and other borrowings	28	215,875	444,044	1,683,393	3,463,499
Deferred taxation	29	8,911	12,872	69,488	100,400
		<u>224,786</u>	<u>456,916</u>	<u>1,752,881</u>	<u>3,563,899</u>
Minority interests	30	<u>214,020</u>	<u>208,156</u>	<u>1,668,928</u>	<u>1,623,596</u>
NET ASSETS		<u>3,701,557</u>	<u>3,577,730</u>	<u>28,864,743</u>	<u>27,905,937</u>
CAPITAL AND RESERVES					
Share capital	31	163,606	162,041	1,275,800	1,263,904
Reserves	32	<u>3,537,951</u>	<u>3,415,689</u>	<u>27,588,943</u>	<u>26,642,033</u>
		<u>3,701,557</u>	<u>3,577,730</u>	<u>28,864,743</u>	<u>27,905,937</u>

Consolidated statement of changes in equity*For the year ended 30 June 2003*

	2003 <i>US\$'000</i>	2002 <i>US\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Shareholders' equity at 1 July	3,577,730	4,116,828	27,905,937	32,110,229
Exchange adjustments	–	–	(6,766)	554
	<u>3,577,730</u>	<u>4,116,828</u>	<u>27,899,171</u>	<u>32,110,783</u>
Deficit arising on revaluation of investment properties from				
– subsidiaries	–	(28,882)	–	(225,277)
– an associate	–	(866)	–	(6,755)
Investment properties revaluation reserve realised on disposal by				
– subsidiaries	–	6,397	–	49,896
– an associate	–	(5,322)	–	(41,511)
Excess deficit arising on revaluation of investment properties charged to consolidated income statement	–	1,452	–	11,325
Share of subsidiaries' and associates' capital reserves movement	109	1,295	850	10,101
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	<u>4,408</u>	<u>4,988</u>	<u>34,374</u>	<u>38,906</u>
Net gains/(losses) not recognised in the consolidated income statement	4,517	(20,938)	35,224	(163,315)
Profit attributable to shareholders	157,096	202,656	1,225,032	1,580,695
Dividend paid	(45,946)	(41,558)	(358,316)	(324,082)
Shares repurchased and cancelled	–	(689,658)	–	(5,379,263)
Shares issued under executive share option scheme	<u>8,160</u>	<u>10,400</u>	<u>63,632</u>	<u>81,119</u>
Shareholders' equity at 30 June	<u><u>3,701,557</u></u>	<u><u>3,577,730</u></u>	<u><u>28,864,743</u></u>	<u><u>27,905,937</u></u>

Consolidated cash flow statement*For the year ended 30 June 2003*

		2003		2002	
	Note	US\$'000	US\$'000	(restated) US\$'000	(restated) US\$'000
Operating activities					
Operating profit on ordinary activities		183,387		188,015	
Adjustments for:					
– Finance cost		5,863		20,992	
– Interest income		(49,210)		(60,863)	
– Dividend income		(19,614)		(23,184)	
– Depreciation		2,823		2,501	
– Amortisation of negative goodwill		(3,027)		(81)	
– Deficit on revaluation of investment properties		74,531		1,452	
– Impairment loss (write back)/provided on properties		(11,449)		69,267	
– Provision write back on amount due from a jointly controlled entity		(1,875)		–	
– Profit on disposal of subsidiaries		(18,013)		–	
– Share of profits less losses of associates		(40,199)		(49,783)	
– Share of profits less losses of jointly controlled entities		(24)		231	
– Net profit on disposal of fixed assets		(94)		(144)	
– Net loss on disposal of investment properties		–		13,438	
– Profit on disposal of an associate		–		(13,503)	
Operating profit before changes in working capital		123,099		148,338	
Decrease in other assets		26,792		8,086	
Decrease/(increase) in other investments in securities		1,260,189		(181,175)	
Decrease in development properties		4,453		95,358	
Decrease in properties held for sale		5,453		12,840	
Decrease in other payables and provisions		(26,117)		(64,551)	
Increase in insurance funds		498		278	
Cash generated from operations carried forward		1,394,367		19,174	

APPENDIX II
FINANCIAL INFORMATION OF THE GROUP

	<i>Note</i>	2003		2002	
		<i>US\$'000</i>	<i>US\$'000</i>	<i>(restated) US\$'000</i>	<i>(restated) US\$'000</i>
Cash generated from operations brought forward		1,394,367		19,174	
Interest received		48,138		60,299	
Dividend received on equity investment		19,614		23,184	
Tax paid					
– Hong Kong Profits Tax paid		(240)		(1,153)	
– Hong Kong Profits Tax refunded		57		–	
Overseas tax refunded/(paid)		3,141		(3,543)	
Net cash from operating activities			1,465,077		97,961
Investing activities					
Proceed from/(purchase of) investment securities		123		(5,569)	
Purchase of interest in associates		(21,520)		(44,064)	
Cash acquired from/(payment for) purchase of subsidiaries, net of payment made/(cash acquired)	33(b)	1,495		(72,650)	
Net repayment from associates		7,725		767	
Net repayment from jointly controlled entities		2,070		2,992	
Proceeds from disposal of an associate		–		10,316	
Purchase of fixed assets		(1,913)		(3,712)	
Proceeds from disposal of fixed assets		541		240	
Proceeds from disposal of investment properties		–		34,770	
Proceeds from disposal of interest in subsidiaries	33(d)	35,264		–	
Dividends received from associates		8,582		44,720	
Net cash from/(used in) investing activities			32,367		(32,190)

	Note	2003		2002	
		US\$'000	US\$'000	(restated) US\$'000	(restated) US\$'000
Financing activities					
Repurchase of ordinary shares		–		(686,007)	
Expenses on repurchase of ordinary shares		–		(3,651)	
New issue of ordinary shares		8,160		10,400	
Capital injection by minority shareholders		24,463		–	
Repayment of bank loans		(155,184)		(347,915)	
Repayment of other borrowings		(42,549)		(225,899)	
Interest paid		(24,551)		(47,934)	
Dividend paid to minority shareholders		(4,634)		(5,533)	
Dividend paid		(45,946)		(41,558)	
Net cash used in financing activities			<u>(240,241)</u>		<u>(1,348,097)</u>
Net increase/(decrease) in cash and cash equivalents			1,257,203		(1,282,326)
Cash and cash equivalents at 1 July	25		1,675,898		2,959,707
Effect of foreign exchange rates			<u>(149)</u>		<u>(1,483)</u>
Cash and cash equivalents at 30 June	25		<u>2,932,952</u>		<u>1,675,898</u>

Notes on the financial statements**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. 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 balances 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 bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and at the rate applicable except where the recoverability of the principal outstanding is in doubt.
- 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) Dividends

- Dividend income from unlisted investments is recognised when the shareholder’s right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

- (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 a trade date basis when the relevant transactions are executed.

(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.

(viii) *Reinsurance treaty inward business*

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

(b) Investments

(i) *Investment in securities*

Investments in equity and debt securities, except 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.

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. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

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 an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual agreement between the Group and other parties, where the contractual arrangement establishes that the Group and one of the other parties share joint control over the economic activity of the entity.

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)).

(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. To the extent that 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 has 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 loss (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 loss (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.

- (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 in the balance sheet at their open market value. An internal valuation is done annually and an independent professional valuation is made at least once every three years. The net surplus or deficit on revaluation is taken to the investment property revaluation reserve except when the total of the reserve is not sufficient to cover a deficit on an aggregate basis, in which case the amount by which the deficit exceeds the amount in the investment property revaluation reserve is charged to the 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.

(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 an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(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. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the 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 recognition 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

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

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in

value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(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 funds

Insurance funds 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.

(n) Translation of foreign currencies

Foreign currency transactions during the year are translated into United States dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at the exchange rates ruling at the balance sheet date. Differences on foreign currency translation are dealt with in the income statement. The results of foreign subsidiaries, associates and jointly controlled entities are translated into United States dollars at the average exchange rates for the year; balance sheet items are translated into United States dollars at the exchange rates ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

(o) Employee benefits

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as an expense in the income statement as incurred.
- (iii) 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.
- (iv) When the Group grants employees options to acquire shares of the Company at nil or nominal consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options exercised, equity is increased by the amount of the proceeds received.

(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 the 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.

(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 or to hedge risk.

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 or losses.

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 provisions".

(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 other 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 (both tangible and intangible) that are expected to be used for more than one period.

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 for the purposes of these financial statements.

(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 Note 16.

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

	The Group	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Income from sale of properties	190,193	126,024
Interest income	47,777	60,166
Rental income from properties	13,338	16,424
Gross insurance premiums	13,898	23,060
Dividend income from unlisted securities	11,225	15,005
Dividend income from listed securities	8,389	8,179
Security commission and brokerage	4,252	5,406
Income from sale of investments in securities	3,031	4,050
Other income	7,633	9,174
	<u>299,736</u>	<u>267,488</u>

4 OTHER REVENUE AND NET INCOME**(a) Other revenue**

	The Group	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Interest income from listed securities	1,287	343
Interest income from unlisted securities	146	354
Others	1,232	1,297
	<u>2,665</u>	<u>1,994</u>

(b) Other net income

	The Group	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Net realised gains on other investments	68,200	107,198
Net exchange gains	36,335	44,825
Gains on foreign exchange contracts	2,234	2,219
Net profits from dealing investments	–	206
Net profits on disposal of fixed assets	94	144
Net unrealised losses on other investments	(3,592)	(14,179)
Others	9,809	2,105
	<u>113,080</u>	<u>142,518</u>

5 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at:

	The Group	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
after charging:		
Staff costs (including retirement scheme contributions of US\$890,000 (2002: US\$921,000))	20,591	19,574
Depreciation	2,823	2,501
Operating lease charges		
– properties	1,643	2,194
– others	8	16
Amortisation of positive goodwill included in share of profits less losses of associates	1,434	445
Auditors' remuneration	278	254
Impairment loss on properties	–	69,267
Donations	81	68
	<u> </u>	<u> </u>
and crediting:		
Amortisation of negative goodwill	3,027	81
Impairment loss write back on properties	11,449	–
	<u> </u>	<u> </u>
Gross rental income from investment properties	13,338	16,424
Less: direct outgoings	(1,233)	(1,749)
	<u> </u>	<u> </u>
Net rental income	12,105	14,675
	<u> </u>	<u> </u>
Share of profits less losses of associates:		
– listed	41,689	46,360
– unlisted	(1,490)	3,423
	<u> </u>	<u> </u>
	40,199	49,783
	<u> </u>	<u> </u>

6 FINANCE COST

	The Group	
	2003 US\$'000	2002 US\$'000
Interest on bank advances and other borrowings repayable within five years	21,527	41,060
Other borrowing costs	344	727
	<u>21,871</u>	<u>41,787</u>
Total borrowing costs	21,871	41,787
Less: borrowing costs capitalised into development properties (<i>Note</i>)	(16,008)	(20,795)
	<u>5,863</u>	<u>20,992</u>

Note: The borrowing costs have been capitalised at a rate of 1.71% to 6.125% per annum (2002: 2.16% to 6.15%).

7 TAXATION

(a) Taxation in the consolidated income statement represents:

	The Group	
	2003 US\$'000	2002 US\$'000
Hong Kong Profits Tax	7,536	2,618
Overseas taxation	9,932	4,215
Deferred taxation (<i>Note 29</i>)	(3,991)	5,832
	<u>13,477</u>	<u>12,665</u>
Share of associates' taxation	15,436	20,955
	<u>28,913</u>	<u>33,620</u>

The provision for Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profits for the year ended 30 June 2003. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Taxation in the balance sheet represents:

	The Group		The Company	
	2003 US\$'000	2002 US\$'000	2003 US\$'000	2002 US\$'000
Hong Kong Profits Tax	10,647	3,291	9,888	2,719
Overseas taxation	20,828	10,598	–	–
	<u>31,475</u>	<u>13,889</u>	<u>9,888</u>	<u>2,719</u>
Taxation payable				
Amount of taxation payable expected to be settled after more than 1 year	<u>602</u>	<u>970</u>	<u>–</u>	<u>–</u>

8 DIRECTORS' REMUNERATION

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

	The Group	
	2003 US\$'000	2002 US\$'000
Fees	204	207
Salaries, allowances and benefits in kind	1,810	1,812
Discretionary bonuses	287	298
Pension contributions	87	111
	<u>2,388</u>	<u>2,428</u>

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

	The Group	
	2003 US\$'000	2002 US\$'000
Fees	75	89
Salaries, allowances and benefits in kind	9	8
	<u>84</u>	<u>97</u>

In addition to the above emoluments, certain directors were granted share options under the Company's share option scheme. The details of these benefits in kind are disclosed under the paragraph "Executive share option scheme" in the directors' report.

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

<i>US\$</i>	The Group	
	2003 Number of directors	2002 Number of directors
0 – 150,000	6	6
150,001 – 200,000	1	1
450,001 – 500,000	1	–
500,001 – 550,000	–	1
550,001 – 600,000	1	–
700,001 – 750,000	–	1
800,001 – 850,000	–	1
950,001 – 1,000,000	1	–
	10	10
	10	10

9 EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Among the five highest paid individuals of the Group, three (2002: three) are directors whose remuneration is disclosed in Note 8. The remuneration of the other two (2002: two) individuals is as follows:

	The Group	
	2003 <i>US\$'000</i>	2002 <i>US\$'000</i>
Salaries, allowances and benefits in kind	697	599
Discretionary bonuses	82	380
Pension contributions	33	35
	812	1,014
	812	1,014

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

<i>US\$</i>	The Group	
	2003 Number of individuals	2002 Number of individuals
250,001 – 300,000	1	–
500,001 – 550,000	1	2
	2	2
	2	2

10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of US\$97,523,000 (2002: US\$75,140,000) which has been dealt with in the financial statements of the Company.

11 CHANGES IN ACCOUNTING POLICIES**(i) Translation of financial statements of foreign enterprises**

In prior years, the results of foreign enterprises were translated into United States dollars at the rates of exchange ruling at the balance sheet date. With effect from 1 July 2002, in order to comply with SSAP 11 (revised) "Foreign currency translation", the Group translates the results of foreign enterprises at the average exchange rates for the year. The effect of this change in accounting policy is not material and, therefore, the opening balances have not be restated.

(ii) Trust accounts

Trust accounts maintained by subsidiaries of the Group to hold clients' monies are no longer recognised in the financial statements. The directors believe that this change of policy will result in a more appropriate presentation in the financial statements. As a result of the new accounting policy, cash and cash equivalents are reduced by US\$44.7 million (2002: US\$37.6 million), other assets decreased by US\$0.6 million (2002: US\$0.6 million), and other payables and provisions reduced by US\$45.3 million (2002: US\$38.2 million). The new accounting policy has been adopted retrospectively and the comparative information has been restated to conform with the current's year presentation.

12 DIVIDENDS

	The Group and the Company	
	2003	2002
	<i>US\$ '000</i>	<i>US\$ '000</i>
2002: Final dividend paid of HK\$0.70 per share (2001: HK\$0.60 per share)	29,164	24,933
2003: Interim dividend paid of HK\$0.40 per share (2002: HK\$0.40 per share)	16,782	16,625
	<u>45,946</u>	<u>41,558</u>
2003: Proposed final dividend of HK\$0.70 per share (2002: HK\$0.70 per share)	29,373	29,085
	<u>29,373</u>	<u>29,085</u>

The proposed final dividend for the year ended 30 June 2003 of US\$29,373,000 (2002: US\$29,085,000) is calculated based on 327,211,373 ordinary shares (2002: 324,081,373 ordinary shares) in issue as at 30 June 2003.

13 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of US\$157,096,000 (2002: US\$202,656,000) and the weighted average number of 325,839,510 ordinary shares (2002: 367,103,637 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 US\$157,076,000 (2002: US\$199,750,000) and the weighted average number of 327,660,400 ordinary shares (2002: 370,762,460 ordinary shares) in issue during the year after adjusting for the effect of all dilutive potential ordinary shares.

(c) Reconciliations

	2003	2002
	Number	Number
	of shares	of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	325,839,510	367,103,637
Deemed issue of ordinary shares under share option scheme	<u>1,820,890</u>	<u>3,658,823</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u><u>327,660,400</u></u>	<u><u>370,762,460</u></u>

14 SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because that is more relevant to the Group's internal financial reporting.

Business segments

Revenue and expenses

For the year ended 30 June 2003

	Treasury, fund and investment management US\$'000	Property development US\$'000	Property investment US\$'000	Securities, commodities and brokerage US\$'000	Insurance US\$'000	Inter- segment elimination US\$'000	Total US\$'000
Turnover	72,321	190,193	18,045	5,168	14,009	–	299,736
Inter-segment turnover	9,234	–	826	145	164	(10,369)	–
	<u>81,555</u>	<u>190,193</u>	<u>18,871</u>	<u>5,313</u>	<u>14,173</u>	<u>(10,369)</u>	<u>299,736</u>
Contribution from operations	170,038	12,674	12,067	(4,325)	1,976	–	192,430
Unallocated income							7,700
Unallocated expenses							(7,909)
Operating profit before finance cost							192,221
Finance cost							(5,863)
Operating profit							186,358
Profit on disposal of subsidiaries							18,013
Impairment loss write back/(provided) on properties	(657)	13,055	–	–	(949)	–	11,449
Deficit on revaluation of investment properties	–	–	(74,531)	–	–	–	(74,531)
Provision write back on amount due from a jointly controlled entity	–	1,875	–	–	–	–	1,875
Operating profit on ordinary activities							143,164
Share of profits less losses of associates	37,524	(266)	2,941	–	–	–	40,199
Share of profits less losses of jointly controlled entities	24	–	–	–	–	–	24
Profit from ordinary activities before taxation							183,387
Taxation							(28,913)
Profit after taxation							154,474
Minority interests							2,622
Profit attributable to shareholders							<u>157,096</u>

Business segments (Cont'd)

Revenue and expenses (Cont'd)

For the year ended 30 June 2002

	Treasury, fund and investment management US\$'000	Property development US\$'000	Property investment US\$'000	Securities, commodities and brokerage US\$'000	Insurance US\$'000	Inter- segment elimination US\$'000	Total US\$'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>(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							(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>

Business segments (Cont'd)

Assets and liabilities

	Treasury, fund and investment management <i>US\$'000</i>	Property development <i>US\$'000</i>	Property investment <i>US\$'000</i>	Securities, commodities and brokerage <i>US\$'000</i>	Insurance <i>US\$'000</i>	Total <i>US\$'000</i>
As at 30 June 2003						
Segment assets	3,250,967	641,204	235,849	21,167	14,412	4,163,599
Interest in associates	218,735	29,267	166,138	–	–	414,140
Interest in jointly controlled entities	245	(4,586)	–	–	–	(4,341)
Unallocated assets						45,557
Total assets						<u>4,618,955</u>
Segment liabilities	17,325	326,249	5,039	8,553	9,914	367,080
Unallocated liabilities						336,298
Total liabilities						<u>703,378</u>
As at 30 June 2002						
Segment assets (restated)	3,253,190	664,843	242,904	19,986	59,525	4,240,448
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 (restated)						<u>4,713,770</u>
Segment liabilities (restated)	12,176	363,077	7,599	9,082	24,304	416,238
Unallocated liabilities						511,646
Total liabilities (restated)						<u>927,884</u>

Business segments (Cont'd)

Other information

	Treasury, fund and investment management <i>US\$'000</i>	Property development <i>US\$'000</i>	Property investment <i>US\$'000</i>	Securities, commodities and brokerage <i>US\$'000</i>	Insurance <i>US\$'000</i>	Total <i>US\$'000</i>
2003						
Capital expenditure incurred during the year	636	184	49	644	400	1,913
Depreciation and amortisation for the year	<u>(119)</u>	<u>208</u>	<u>–</u>	<u>630</u>	<u>511</u>	<u>1,230</u>
2002						
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>2,865</u>

Geographical segments

	Turnover		Operating profit/(loss)	
	2003 <i>US\$'000</i>	2002 <i>US\$'000</i>	2003 <i>US\$'000</i>	2002 <i>US\$'000</i>
Hong Kong	87,744	109,633	133,974	208,070
Singapore	200,792	132,530	51,408	(15,025)
Asia (excluding Hong Kong and Singapore)	10,036	24,282	942	15,030
Others	<u>1,164</u>	<u>1,043</u>	<u>34</u>	<u>1,042</u>
	<u>299,736</u>	<u>267,488</u>	<u>186,358</u>	<u>209,117</u>
	Segment assets		Capital expenditure	
	2003 <i>US\$'000</i>	2002 <i>US\$'000</i> <i>(restated)</i>	2003 <i>US\$'000</i>	2002 <i>US\$'000</i>
Hong Kong	3,234,422	3,167,542	1,517	3,286
Singapore	807,284	1,034,609	383	272
Asia (excluding Hong Kong and Singapore)	408,763	291,958	13	154
Others	<u>168,486</u>	<u>219,661</u>	<u>–</u>	<u>–</u>
	<u>4,618,955</u>	<u>4,713,770</u>	<u>1,913</u>	<u>3,712</u>

15 FIXED ASSETS

	Investment properties <i>US\$'000</i>	The Group Freehold and leasehold premises <i>US\$'000</i>	Furniture, fixtures and equipment <i>US\$'000</i>	Total <i>US\$'000</i>
Cost or valuation:				
As at 1 July 2002	235,251	23,825	11,211	270,287
Additions	49	146	1,718	1,913
Disposals	–	(351)	(2,630)	(2,981)
Deficit on revaluation	(20,525)	–	–	(20,525)
Exchange adjustments	705	4	(1)	708
	<u>215,480</u>	<u>23,624</u>	<u>10,298</u>	<u>249,402</u>
As at 30 June 2003	<u>215,480</u>	<u>23,624</u>	<u>10,298</u>	<u>249,402</u>
Representing:				
Cost	–	23,624	10,298	33,922
Valuation – 30 June 2003	215,480	–	–	215,480
	<u>215,480</u>	<u>23,624</u>	<u>10,298</u>	<u>249,402</u>
Accumulated depreciation:				
As at 1 July 2002	–	7,595	6,914	14,509
Charge for the year	–	846	1,977	2,823
Written back on disposal	–	(290)	(2,151)	(2,441)
Impairment loss	–	1,606	–	1,606
Exchange adjustments	–	1	7	8
	<u>–</u>	<u>9,758</u>	<u>6,747</u>	<u>16,505</u>
As at 30 June 2003	<u>–</u>	<u>9,758</u>	<u>6,747</u>	<u>16,505</u>
Net book value:				
As at 30 June 2003	<u>215,480</u>	<u>13,866</u>	<u>3,551</u>	<u>232,897</u>
As at 30 June 2002	<u>235,251</u>	<u>16,230</u>	<u>4,297</u>	<u>255,778</u>

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

	The Group	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
In Hong Kong:		
– Leasehold with over 50 years unexpired	12,869	14,628
– Leasehold with between 10 years to 50 years unexpired	35,301	36,073
– Leasehold with less than 10 years unexpired	657	1,084
Outside Hong Kong:		
– Leasehold with over 50 years unexpired	180,519	199,696
	<u>229,346</u>	<u>251,481</u>

- (b) The Group's investment properties are located in Hong Kong and Singapore. The properties which are located in Singapore were valued on an open market basis as at 30 June 2003 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 2003 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 US\$74 million (2002: US\$82 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 US\$215,480,000 (2002: US\$235,251,000).

16 INTEREST IN SUBSIDIARIES

	The Company	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Unlisted shares, at cost	22,502	13,573
Amounts due from subsidiaries	1,084,452	2,017,992
	<u>1,106,954</u>	<u>2,031,565</u>

(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
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
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

(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	–	61	Investment holding and property investment
Branmil Holdings Pte Ltd	2 shares of S\$1 each	–	61	Investment holding
Century Square Development Ltd	97,060,000 shares of S\$1 each	–	61	Property investment
Chelford Pte Ltd	2 shares of S\$1 each	–	61	Investment holding

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP**

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company Group		Principal activities
Cheltenham Investments Pte Ltd	500,000 shares of S\$1 each	–	61	Investment holding
Chiltern Park Development Pte Ltd	28,300,000 shares of S\$1 each	–	61	Property development
Da Zhong Investment Pte Ltd	4,000,000 shares of S\$1 each	–	61	Investment holding
First Capital Corporations Realty Pte Ltd (formerly known as Deyrolle Pte Ltd)	2 shares of S\$1 each	–	61	Investment holding
Elias Development Pte Ltd	7,500,000 shares of S\$1 each	–	61	Property development
Everian Holdings Pte Ltd	32,000,000 shares of S\$1 each	–	61	Property development
First Bedok Land Pte Ltd	72,000,000 shares of S\$1 each	–	61	Property development
First Bukit Panjang Land Pte Ltd	71,190,000 shares of S\$1 each	–	61	Property development
First Capital Asia Pte Ltd	19,000,000 shares of S\$1 each	–	61	Investment holding
First Capital Asia Land Pte Ltd	88,000,000 shares of S\$1 each	–	61	Property investment
GuocoLand Limited (formerly known as First Capital Corporation Ltd)	515,147,993 shares of S\$1 each	–	61	Investment holding
First Capital Development Pte Ltd	1,000,000 shares of S\$1 each	–	61	Property investment
First Cavendish Development Pte Ltd	23,400,000 shares of S\$1 each	–	61	Property development
First Capital Hotels Pte Ltd	2 shares of S\$1 each	–	61	Investment holding
First Capital Investment Ltd	10,000,000 shares of S\$1 each	–	61	Investment trading

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP**

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company Group		Principal activities
First Capital Land Pte Ltd	70,000,000 shares of S\$1 each	–	61	Property investment
First Capital Management Pte Ltd	500,000 shares of S\$1 each	–	61	Provision of management services
First Capital Properties Pte Ltd	10,000,000 shares of S\$1 each	–	61	Property investment
First Capital Assets Pte Ltd	15,000,000 shares of S\$1 each	–	61	Investment holding
First Capital Holdings (HK) Pte Ltd	4,500,000 shares of S\$1 each	–	61	Investment holding
First Capital Holdings (Thailand) Pte Ltd	2 shares of S\$1 each	–	61	Investment holding
Guoco Investment Services Pte Ltd	50,000 shares of S\$1 each	100	–	Provision of management services
Guoco Property Management Pte Ltd	2 shares of S\$1 each	–	61	Property management
Pemberton Limited	200 shares of S\$1 each	–	61	Investment holding
First Capital Holdings (U.K.) Pte Ltd	9,000,000 shares of S\$1 each	–	61	Investment holding
First Capital Holdings Pte Ltd	2 shares of S\$1 each	–	61	Investment holding and trading
First Capital Property Management Pte Ltd	2 shares of S\$1 each	–	61	Property management, marketing and maintenance services
First Capital Realty Pte Ltd	30,000,000 shares of S\$1 each	–	61	Property development
First Changi Development Pte Ltd	44,446,750 shares of S\$1 each	–	55	Property Development

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP**

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company Group		Principal activities
First Coventry Development Pte Ltd	17,830,000 shares of S\$1 each	–	61	Property development
FCC Equities Pte Ltd	4,500,000 shares of S\$1 each	–	61	Investment holding and trading
First Garden Development Pte Ltd	80,000,000 shares of S\$1 each	–	55	Property development
Fasidon Holdings Pte Ltd	77,112,700 shares of S\$1 each	–	61	Property development
FCC Holdings Pte Ltd	2 shares of S\$1 each	–	61	Investment holding
Fica Nominees Pte Ltd	2 shares of S\$1 each	–	61	Investment holding and provision of nominee services
First Mayer Development Pte Ltd	118,930,000 shares of S\$1 each	–	61	Property development
First Loyang Land Pte Ltd	55,834,697 shares of S\$1 each	–	61	Property development
First Tanglin Land Pte Ltd	25,628,700 shares of S\$1 each	–	61	Property development
Guoco Assets Pte Ltd	2 shares of S\$1 each	100	–	Investment holding
Guoco Investment Pte Ltd	20,000,000 shares of S\$1 each	100	–	Investment holding
Hedover Holdngs Pte Ltd	5,000,000 shares of S\$1 each	–	61	Property investment
Harbour View Development Pte Ltd	13,100,000 shares of S\$1 each	–	61	Property development
Leonie Land Pte Ltd	19,310,000 shares of S\$1 each	–	61	Property development
Melville Park Development Pte Ltd	72,300,000 shares of S\$1 each	–	49	Property development

Name of Company	Issued and paid up ordinary share capital	Company	Percentage held by the Group	Principal activities
My Home Online Pte Ltd	10 shares of S\$1 each	–	37	Provider of internet commerce services
Rivaldo Investments Pte Ltd	2 shares of S\$1 each	–	61	Investment holding and trading
Sanctuary Land Pte Ltd	60,000,000 shares of S\$1 each	–	55	Property development
Tanamera Development Pte Ltd	20,500,000 shares of S\$1 each	–	61	Property development
Winterhall Pte Ltd	2 shares of S\$1 each	–	61	Investment holding and trading
FCC Net Pte Ltd	2 shares of S\$1 each	–	61	Investment holding
Lilleham Investments Pte Ltd	2 shares of S\$1 each	–	61	Investment holding and trading

(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	Company	Percentage held by the Group	Principal activities
Beijing Minghua Property Development Co., Ltd. <i>(Note(i))</i>	The People's Republic of China	RMB 200,000,000 <i>(Note (ii))</i>	–	46	Property development
DH Capital Management (BVI) Limited <i>(Note (iii))</i>	British Virgin Islands	2 shares of US\$1 each	100	–	Investment holding
Dynamic Sources Group Limited <i>(Note (iii))</i>	British Virgin Islands	1 share of US\$1 each	100	–	Investment holding
Guoco Assets (Philippines), Inc.	The Philippines	1,210,000 shares of P100 each	–	100	Investment holding

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the		Principal activities
			Company	Group	
Guoco Assets Sdn. Bhd.	Malaysia	2 shares of M\$1 each	100	–	Investment holding
Guoco Properties Limited	Bermuda	20,000,000 shares of US\$1 each	–	61	Investment holding
Guoco Securities (Bermuda) Limited <i>(Note (iii))</i>	Bermuda	120,000 shares of US\$0.10 each	100	–	Investment holding
GL Holdings Limited <i>(Note (iii))</i>	British Virgin Islands	1 share of US\$1 each	100	–	Investment holding
Hong Way Holdings, Inc.	The Philippines	100,000 shares of P1 each	60	40	Investment holding
Reunification Properties Limited <i>(Note (iii))</i>	British Virgin Islands	1 share of US\$1 each	–	100	Investment holding
Shanghai Xin Hao Zhong Property Development Co., Ltd. <i>(Note (i))</i>	The People's Republic of China	RMB 165,729,917 <i>(Note (ii))</i>	–	60	Property development
Scorewell Corporation <i>(Note (iii))</i>	British Virgin Islands	1 share of US\$1 each	–	100	Investment holding
W.C.H. Limited <i>(Notes (iii) and (iv))</i>	British Virgin Islands	500,000 shares of HK\$1 each	–	100	Property investment
Wanchai Property Investment Limited <i>(Notes (iii) and (iv))</i>	British Virgin Islands	500,000 shares of HK\$1 each	–	100	Property investment
Supreme Goal Investments Limited <i>(Note (iii))</i>	British Virgin Islands	1 share of US\$1 each	–	100	Property investment
Capital Intelligence Limited <i>(Note (iii))</i>	Cayman Islands	1 share of US\$1 each	100	–	Investment trading
Checkenden Limited	British Virgin Islands	2 shares of US\$1 each	–	61	Investment holding
First Capital Assets (BVI) Ltd	British Virgin Islands	2 shares of US\$1 each	–	61	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.

17 INTEREST IN ASSOCIATES

	The Group		The Company	
	2003	2002	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Unlisted shares, at cost	–	–	–	11,412
Share of net assets				
– Listed shares, overseas	405,019	385,063	–	–
– Unlisted	(321)	36,729	–	–
Goodwill	12,450	7,338	–	–
Amounts due from associates	59,806	66,960	–	4
	<u>476,954</u>	<u>496,090</u>	<u>–</u>	<u>11,416</u>
Less: Impairment loss	(68,051)	(68,519)	–	–
	<u>408,903</u>	<u>427,571</u>	<u>–</u>	<u>11,416</u>

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	97,452,334 shares of 62.5 pence each	–	21	Property investment and development
Camerlin (BVI) Limited	British Virgin Islands	10 shares of US\$1 each	–	25	Investment holding
Camerlin Pte Ltd	Singapore	100,000 shares of S\$1 each	–	25	Investment holding
Crawford Pte Ltd	Singapore	1,000,000 shares of S\$1 each	–	25	Property development
First Capital Property Ventures Pte Ltd	Singapore	100 shares of S\$1 each	–	21	Investment holding
Guoman Hotel & Resort Holdings Sdn. Bhd	Malaysia	277,000,000 shares of M\$1 each	–	18	Investment holding

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Company	Group	Principal activities
Hong Leong Credit Berhad	Malaysia	1,039,987,821 shares of M\$1 each	–	25	Financial services and property development
Razgrad Pte Ltd	Singapore	1,000,000 shares of S\$1 each	–	25	Property development
Stockton Investments Pte Ltd	Singapore	10,000 shares of S\$1 each	–	25	Investment holding
Tiara Investment Holdings Limited	Mauritius	6,500,000 shares of US\$1 each	–	25	Investment holding

18 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2003 US\$ '000	2002 US\$ '000
Share of net assets – unlisted	(1,153)	(1,162)
Amounts due from jointly controlled entities	67,346	69,416
	66,193	68,254
Less: Impairment loss	(70,534)	(72,409)
	<u>(4,341)</u>	<u>(4,155)</u>

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
Hillfield Trading Limited (<i>Note</i>)	British Virgin Islands	2 shares of US\$1 each	50	Investment holding
Regal Trophy Limited (<i>Note</i>)	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.

19 OTHER NON-CURRENT FINANCIAL ASSETS

	The Group		The Company	
	2003	2002	2003	2002
	US\$'000	US\$'000	US\$'000	US\$'000
Investment securities				
Equity securities				
– Listed outside Hong Kong	83,443	83,154	–	–
– Unlisted	5,659	5,765	–	–
	<u>89,102</u>	<u>88,919</u>	<u>–</u>	<u>–</u>
Club and other debentures	487	487	203	203
	<u>89,589</u>	<u>89,406</u>	<u>203</u>	<u>203</u>
Market value of listed equity securities	<u>68,798</u>	<u>69,873</u>	<u>–</u>	<u>–</u>

Certain listed investment securities with total carrying value of US\$76.2 million (2002: US\$75.9 million) were pledged with a bank to secure short-term bank loan facilities.

20 GOODWILL

	The Group Negative goodwill US\$'000
Cost:	
At 1 July 2002	(812)
Addition through increase in shareholding of a subsidiary	<u>(12,545)</u>
At 30 June 2003	<u>(13,357)</u>
Accumulated amortisation:	
At 1 July 2002	(81)
Amortisation for the year	<u>(3,027)</u>
At 30 June 2003	<u>(3,108)</u>
Carrying amount:	
At 30 June 2003	<u>(10,249)</u>
At 30 June 2002	<u>(731)</u>

Negative goodwill is recognised as income on a straight-line basis over 3 years. The amortisation of negative goodwill for the year is included in “administrative and other operating expenses” in the consolidated income statement.

21 DEVELOPMENT PROPERTIES

	The Group	
	2003 US\$'000	2002 US\$'000
Cost as at 30 June	842,583	795,357
Less: Attributable loss	(32,376)	(28,793)
Less: Impairment loss	(113,735)	(137,560)
Less: Progress instalments received and receivable	(184,183)	(113,078)
	<u>512,289</u>	<u>515,926</u>

The amount of development properties expected to be recovered after more than one year is US\$315.5 million (2002: US\$372.8 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 US\$477.7 million (2002: US\$474.2 million) are under legal mortgages with banks.

22 PROPERTIES HELD FOR SALE

	The Group	
	2003 US\$'000	2002 US\$'000
As at 1 July	66,394	75,347
Disposals	(5,821)	(12,840)
	<u>60,573</u>	<u>62,507</u>
Add: Write back for foreseeable loss	368	3,887
	<u>60,941</u>	<u>66,394</u>

23 OTHER ASSETS

	The Group		The Company	
	2003 US\$'000	2002 (restated) US\$'000	2003 US\$'000	2002 US\$'000
Accrued interest	2,361	1,401	2,123	1,204
Other accounts	59,885	92,917	51	189
	<u>62,246</u>	<u>94,318</u>	<u>2,174</u>	<u>1,393</u>

Included in the Group's other assets are amounts of US\$11.3 million (2002: US\$0.9 million) which are expected to be recovered after more than one year.

24 OTHER INVESTMENTS IN SECURITIES

	The Group	
	2003 US\$'000	2002 US\$'000
Debt securities		
Listed		
– In Hong Kong	608	552
– Outside Hong Kong	27,637	33,624
	<u>28,245</u>	<u>34,176</u>
Unlisted	–	6,493
	<u>28,245</u>	<u>40,669</u>
	-----	-----
Equity securities		
Listed		
– In Hong Kong	37,268	65,657
– Outside Hong Kong (Note)	216,663	154,224
	<u>253,931</u>	<u>219,881</u>
Unlisted	34	1,327,985
	<u>253,965</u>	<u>1,547,866</u>
	-----	-----
Unit trust		
Listed		
– In Hong Kong	–	2,775
Unlisted	51,518	2,055
	<u>51,518</u>	<u>4,830</u>
	-----	-----
	<u>333,728</u>	<u>1,593,365</u>
	-----	-----
Market value of other listed investments in securities		
– Debt securities	28,245	34,176
– Equity securities	253,931	219,881
– Unit trust	–	2,775
	<u>282,176</u>	<u>256,832</u>
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Note: No equity security was pledged with a bank to secure short-term bank loan facilities (2002: Certain equity securities with total carrying value of US\$67.1 million were pledged with a bank to secure short-term bank loan facilities).

25 CASH AND SHORT TERM FUNDS

	The Group		The Company	
	2003	2002	2003	2002
	US\$'000	US\$'000	US\$'000	US\$'000
Deposits with banks	2,903,206	1,646,246	2,520,675	1,503,846
Cash at bank and in hand	29,746	29,652	5,598	1,982
	<u>2,932,952</u>	<u>1,675,898</u>	<u>2,526,273</u>	<u>1,505,828</u>

26 OTHER PAYABLES AND PROVISIONS

	The Group		The Company	
	2003	2002	2003	2002
	US\$'000	(restated) US\$'000	US\$'000	US\$'000
Other payables and provisions	60,059	103,710	7,333	9,138
Amounts due to associates	38	32	–	–
	<u>60,097</u>	<u>103,742</u>	<u>7,333</u>	<u>9,138</u>

Included in other payables of the Group and the Company are amounts of US\$5.3 million (2002: US\$5.0 million) and US\$1.4 million (2002: US\$1.4 million) respectively which are expected to be settled after more than one year.

27 CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

At 30 June 2003, the current portion of bank loans and other borrowings are as follows:

	The Group		The Company	
	2003	2002	2003	2002
	US\$'000	US\$'000	US\$'000	US\$'000
Bank loans				
– Secured (Note)	259,028	181,289	–	–
– Unsecured	61,966	92,645	–	–
	<u>320,994</u>	<u>273,934</u>	<u>–</u>	<u>–</u>
Unsecured long term notes and bonds repayable within 1 year	62,420	76,295	–	–
	<u>383,414</u>	<u>350,229</u>	<u>–</u>	<u>–</u>

Note: The bank loans are secured by the following:

- legal mortgages on investment properties (Note 15);

- legal mortgages on development properties (Note 21);
- certain listed investment securities (Note 19); and
- certain other investments in securities (Note 24).

28 NON-CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

	The Group	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Bank loans		
– Secured	113,080	239,127
– Unsecured	41,724	115,745
	<u>154,804</u>	<u>354,872</u>
Long term notes and bonds		
– Unsecured medium term notes	61,071	89,172
	<u>215,875</u>	<u>444,044</u>

Note: The bank loans are secured by the following:

- legal mortgages on investment properties (Note 15);
- legal mortgages on development properties (Note 21);
- certain listed investment securities (Note 19); and
- certain other investment in securities (Note 24).

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

	The Group					
	2003			2002		
	Bank loans	Other borrowings	Total	Bank loans	Other borrowings	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Within 1 year or on demand	320,994	62,420	383,414	273,934	76,295	350,229
After 1 year but within 2 years	54,440	45,318	99,758	277,708	62,160	339,868
After 2 years but within 5 years	100,364	15,753	116,117	77,164	27,012	104,176
	<u>154,804</u>	<u>61,071</u>	<u>215,875</u>	<u>354,872</u>	<u>89,172</u>	<u>444,044</u>
	<u>475,798</u>	<u>123,491</u>	<u>599,289</u>	<u>628,806</u>	<u>165,467</u>	<u>794,273</u>

29 DEFERRED TAXATION

Movements in deferred taxation comprise:

	The Group		The Company	
	2003	2002	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
As at 1 July	12,872	7,017	2,564	–
Transfer (to)/from the income statement (<i>Note 7(a)</i>)	(3,991)	5,832	(2,564)	2,564
Exchange adjustments	30	23	–	–
As at 30 June	<u>8,911</u>	<u>12,872</u>	<u>–</u>	<u>2,564</u>

(i) Deferred taxation arises from timing differences in the treatment of profit recognition methods in respect of development properties for accounting and taxation purposes and the unrealised gains and losses arising from marking securities to market.

(ii) Major components of unprovided deferred tax assets are as follows:

	The Group	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Depreciation allowances in excess of depreciation charges	(94)	(150)
Tax losses	27,914	31,554
Provision for foreseeable loss	35,149	32,149
	<u>62,969</u>	<u>63,553</u>

(iii) No provision for deferred taxation has been made in the financial statements for taxation which would be payable on the distribution of the Group's share of profits retained by overseas subsidiaries.

(iv) There is no significant deferred taxation liability not provided for.

30 MINORITY INTERESTS

Minority interests include the interests of preference shareholders in subsidiaries of US\$12,056,000 (2002: US\$5,440,000).

31 SHARE CAPITAL

	The Group and the Company			
	2003	2003	2002	2002
	No. of		No. of	
	shares		shares	
	<i>'000</i>	<i>US\$ '000</i>	<i>'000</i>	<i>US\$ '000</i>
Authorised:				
Ordinary shares of US\$0.50 each	1,000,000	500,000	1,000,000	500,000
Issued and fully paid:				
As at 1 July	324,081	162,041	427,091	213,546
Shares issued under executive share option scheme	3,130	1,565	3,990	1,995
Shares repurchased	–	–	(107,000)	(53,500)
As at 30 June	327,211	163,606	324,081	162,041

During the year, 3,130,000 (2002: 3,990,000 share options) share options were exercised to subscribe for 3,130,000 (2002: 3,990,000 shares) shares in the Company at a consideration net of charges of US\$8,160,000 (2002: US\$10,400,000) of which US\$1,565,000 (2002: US\$1,995,000) was credited to share capital and the balance of US\$6,595,000 (2002: US\$8,405,000) was credited to the share premium account.

32 RESERVES

(a) The Group

	Share premium US\$'000	Investment 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 2002	–	–	58,837	3,978	–	9,736	3,343,138	3,415,689
Shares issued under executive share option scheme	6,595	–	–	–	–	–	–	6,595
Transfer between reserves	–	–	19,770	–	–	–	(19,770)	–
Share of subsidiaries' and associates' capital reserves movement	–	–	109	–	–	–	–	109
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	–	–	55	–	–	4,353	–	4,408
Retained profit for the year	–	–	–	–	–	–	111,150	111,150
At 30 June 2003	<u>6,595</u>	<u>–</u>	<u>78,771</u>	<u>3,978</u>	<u>–</u>	<u>14,089</u>	<u>3,434,518</u>	<u>3,537,951</u>
Retained in:								
– Company and subsidiaries								3,442,150
– Associates								111,503
– Jointly controlled entities								(15,702)
								<u>3,537,951</u>
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 executive 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)
Reserves 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	<u>–</u>	<u>–</u>	<u>58,837</u>	<u>3,978</u>	<u>–</u>	<u>9,736</u>	<u>3,343,138</u>	<u>3,415,689</u>
Retained in:								
– Company and subsidiaries								3,397,259
– Associates								34,156
– Jointly controlled entities								(15,726)
								<u>3,415,689</u>

(b) The Company

	Share premium <i>US\$'000</i>	Investment property revaluation reserve <i>US\$'000</i>	Capital and other reserves <i>US\$'000</i>	Contributed surplus <i>US\$'000</i>	General reserve <i>US\$'000</i>	Exchange translation reserve <i>US\$'000</i>	Retained profits <i>US\$'000</i>	Total <i>US\$'000</i>
At 1 July 2002	-	-	-	-	-	2,320	3,120,716	3,123,036
Shares issued under executive share option scheme	6,595	-	-	-	-	-	-	6,595
Exchange differences on translation of net investments in foreign subsidiaries and associates	-	-	-	-	-	397	-	397
Retained profit for the year	-	-	-	-	-	-	51,577	51,577
At 30 June 2003	<u>6,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,717</u>	<u>3,172,293</u>	<u>3,181,605</u>
At 1 July 2001	236,092	-	-	14,439	77,042	-	3,387,314	3,714,887
Shares issued under executive 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 net investments in foreign subsidiaries and associates	-	-	-	-	-	2,320	-	2,320
Retained profit for the year	-	-	-	-	-	-	33,582	33,582
At 30 June 2002	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,320</u>	<u>3,120,716</u>	<u>3,123,036</u>

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:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) 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 2003 amounted to US\$3,175,010,000 (2002: US\$3,123,036,000).

33 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

	The Group	
	2003	2002
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net assets acquired:		
Fixed assets	–	16,422
Investment properties	–	55,667
Other assets	1,941	2,967
Cash and short term funds	3,006	5,143
Other payables and provisions	(479)	(1,228)
Taxation	(1,203)	(49)
Minority interests	2,000	(1,154)
Exchange translation reserve	16	25
	<u>5,281</u>	<u>77,793</u>
Negative goodwill arising on acquisition	(3,770)	–
Total consideration	<u>1,511</u>	<u>77,793</u>
Satisfied by:		
Cash consideration	<u>1,511</u>	<u>77,793</u>

(b) Analysis of net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries

	The Group	
	2003	2002
	<i>US\$ '000</i>	<i>US\$ '000</i>
Cash consideration	(1,511)	(77,793)
Cash at bank and in hand acquired	<u>3,006</u>	<u>5,143</u>
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	<u>1,495</u>	<u>(72,650)</u>

(c) Disposal of subsidiaries

	The Group	
	2003	2002
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net assets disposed:		
Fixed assets	93	–
Development properties	29,891	–
Other assets	4,553	–
Cash and short term funds	43,547	–
Other payables and provisions	(16,296)	–
Taxation	(347)	–
Minority interests	(723)	–
Exchange translation reserve	(48)	–
Capital and other reserve	128	–
	<u>60,798</u>	–
Profit on disposal of subsidiaries	18,013	–
	<u>78,811</u>	–
Satisfied by:		
Cash received	<u>78,811</u>	–

(d) Analysis on net inflow of cash and cash equivalents in respect of the disposal of subsidiaries

	The Group	
	2003	2002
	<i>US\$ '000</i>	<i>US\$ '000</i>
Cash consideration received	78,811	–
Cash at bank and in hand disposed	(43,547)	–
	<u>35,264</u>	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>35,264</u>	–

34 STAFF RETIREMENT SCHEME

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

35 EQUITY COMPENSATION BENEFITS

The Company adopted an executive share option scheme (“ESOS”) on 30 July 1991 to provide eligible employees including directors of the Company or any full-time employees in the services of the Company or a subsidiary of the Group with the opportunity to participate in the growth of the Company thereby achieving the purpose of attracting and motivating the Group’s high calibre and eligible employees. Pursuant to the terms of the ESOS, the directors of the Company might, subject to such conditions as they may think fit, offer to grant options to any eligible employees to subscribe for ordinary shares of US\$0.50 each in the capital of the Company.

The exercise price per share would 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 was higher. A nominal consideration of HK\$1 was payable on the acceptance of the share option within 21 days inclusive of and from the date of making such offer. Options could be exercised from the date of grant and ending on the tenth anniversary of the date on which the option was granted.

(a) Movements in share options

	2003 <i>Number</i>	2002 <i>Number</i>
At 1 July	5,090,000	9,140,000
Exercised	(3,130,000)	(3,990,000)
Lapsed	<u>(120,000)</u>	<u>(60,000)</u>
At 30 June	<u>1,840,000</u>	<u>5,090,000</u>
Options vested at 30 June	<u>1,840,000</u>	<u>5,090,000</u>

(b) Terms of unexpired and unexercised share options at balance sheet date

Date granted	Exercise period	Exercise price	2003 Number	2002 Number
30 July 1991	12 November 1999 to 12 February 2004	HK\$20.33	<u>1,840,000</u>	<u>5,090,000</u>

(c) No share option was granted during the year.

(d) Details of share options exercised during the year

Exercise date	Exercise price	Market value per share on exercise date	Proceeds received <i>US\$ '000</i>	Number
12 November 2002	HK\$20.33	HK\$47.50	2,138	820,000
9 December 2002	HK\$20.33	HK\$45.60	156	60,000
16 December 2002	HK\$20.33	HK\$46.50	5,866	2,250,000
			<u>8,160</u>	<u>3,130,000</u>

Another 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 Employee”) the opportunity of participating in the growth and success of the Group.

The option price per share payable upon exercise of any share option will be determined by the directors upon the grant of the 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 consideration of HK\$1 is payable on acceptance of the share option within 21 days inclusive of, and from the date of making such offer. The exercise period of the share option shall fall within the period from the date of grant and ending on the tenth anniversary of the date of grant in respect of such offer. 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 Employee Pursuant to the New Scheme during the year.

On 16 December 2002, the Company adopted a third share option plan (the “Share Option Plan”) for the purpose of motivating the employees and directors of the group companies and the employees of associated companies (the “Participants”) and allowing them to participate in the growth of the Company through the grant of options over existing shares.

The exercise price of an option for the purchase of share 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, which must be a business day; and (c) the nominal value of a share.

A nominal consideration of HK\$1 is payable on acceptance of the share option within 21 days from the date of making such offer. The exercise period of the share option shall fall within the period from the date of grant and ending on the tenth anniversary of the date of grant of such option. No share option may be granted more than ten years after 16 December 2002, the date on which the Share Option Plan was adopted by the Company.

No option was granted to any Participant pursuant to the Share Option Plan during the year.

36 POST BALANCE SHEET EVENTS

On 25 September 2003, the Company and Hong Leong Company (Malaysia) Berhad (“HLCM”), signed a conditional Sale and Purchase Agreement for the proposed disposal of 79,000,394 (owned by the Company’s subsidiaries) and 198,222,563 (owned by HLCM and its subsidiary) Hong Leong Properties Berhad (“HLPB”) shares respectively to GoucoLand Limited (“GLL”) to be satisfied by the issue of 17,554,260 and 44,045,989 new shares respectively by GLL.

The aggregate consideration of approximately RM45 million and RM113 million were calculated based on RM0.57 per HLPB shares and the GLL shares are to be issued based on an issue price of S\$1.18 per GLL share. The Group’s interest in GLL after the transaction will be reduced from 61.48% to 57.96%.

37 CONTINGENT LIABILITIES

As at 30 June 2003, 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 US\$40,124,000 (2002: US\$41,590,000) and US\$21,159,000 (2002: US\$21,154,000) respectively granted to group companies and certain investee companies of the Group.

38 COMMITMENTS**Operating lease arrangements***(i) As lessee*

As at 30 June 2003, the total future minimum lease payments under non-cancellable operating lease are payable as follows:

	The Group	
	2003	2002
	<i>US\$ '000</i>	<i>US\$ '000</i>
Within 1 year	1,805	1,800
After 1 year but within 5 years	231	1,896
	<u>2,036</u>	<u>3,696</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 2003, the total future minimum lease payments under non-cancellable operating lease are receivable as follows:

	The Group	
	2003	2002
	<i>US\$ '000</i>	<i>US\$ '000</i>
Within 1 year	1,538	2,769
After 1 year but within 5 years	243	1,558
	<u>1,781</u>	<u>4,327</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 2003.

39 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	
	2003	2002
	<i>US\$ '000</i>	<i>US\$ '000</i>
Interest income	<u>1,111</u>	<u>1,318</u>

(ii) Balance as at 30 June

	The Group	
	2003	2002
	<i>US\$ '000</i>	<i>US\$ '000</i>
Cash and short term funds	<u>149,314</u>	<u>96,056</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 GOMC Limited ("GOMC") (formerly known as 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 GOMC. The agreement replaced the previous services agreements between GOMC and certain operating subsidiaries of the Group. Total management fees paid and payable to GOMC for the year ended 30 June 2003 amounted to US\$5.6 million (2002: US\$5.9 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 2003, the Group made a total contribution of US\$0.9 million to the scheme (2002: US\$0.9 million).

40 HONG KONG DOLLAR AMOUNTS

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

41 COMPARATIVE FIGURES

The presentation and classification of items in the consolidated cash flow statement have been changed due to the adoption of the requirements of SSAP 15 (revised) "Cash flow statement". As a result, cash flow items from taxation, returns on investments and servicing of finance have been classified into operating, investing and financing activities respectively and a detailed breakdown of cash flows from operating activities has been included on the face of the consolidated cash flow statement. Comparative figures have been reclassified to conform with the current year's presentation.

Certain comparative figures have also been adjusted as a result of changes in accounting policies as mentioned in Note 11.

Major development properties of the subsidiaries

Property	Intended use	Stage of completion	Expected Temporary Occupation Permit ("TOP") date	Site area <i>sq. m</i>	Gross floor area <i>sq. m</i>	Group's interest %
Sanctuary Green situated at Tanjong Rhu Road	Residential	Superstructure and architectural works in progress	Phase 1 9/2003 Phase 2 2/2004	23,551	66,040	55
The Gardens at Bishan situated at Sin Ming Ave/Sin Ming Walk	Residential	Superstructure and architectural works in progress	Phase 1 2/2004 Phase 2 8/2004	34,949	87,373	55
Le Crescendo situated at Paya Lebar Road	Residential	Substructure works in progress	2/2006	12,323	26,176	61
Bishan Point situated at Sin Ming Ave/Bright Hill Drive	Residential	Substructure works in progress	4/2005	6,800	19,038	61
Central Park situated in Luwan district, Shanghai	Residential	Substructure works in progress	4/2005	14,841	63,935	60
D'elias situated at Tampines Expressway/Elias Road Junction	Residential	Site preliminary Works	7/2005	4,429	4,230	61
Nathan Place situated at Nathan Road	Residential	Tender preparations	*	4,421	6,189	61
Leonie Studio situated at Leonie Hill	Residential	Tender Preparations	*	2,850	8,690	61
Paterson Residence situated at Paterson Road	Residential	Planning	*	7,774	16,327	61
Site situated at Meyer Road	Residential	Planning	*	3,352	7,039	61

* Not applicable as construction for these developments have not commenced

Major properties of the subsidiaries held for investment

Location	Existing use	Tenure of land
Tung Centre 20 Collyer Quay Singapore 049319	Office building	999 years lease with effect from 5 November 1862
Robinson Centre 61 Robinson Road Singapore 068893	Office building	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 building	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 building	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 building	From 24 November 1995 to 30 June 2047

3 INTERIM RESULTS

Set out below is a summary of the unaudited consolidated results of Guoco for the period ended 31 December 2003. All figures were extracted from the published interim report of Guoco for 2003.

Consolidated income statement

For the six months ended 31 December 2003 – unaudited

	Note	2003 US\$'000	2002 US\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	3, 4	163,160	113,815	1,266,546	887,586
Cost of property sales		(81,193)	(54,593)	(630,269)	(425,744)
Other attributable costs		(8,566)	(9,351)	(66,494)	(72,924)
		73,401	49,871	569,783	388,918
Other revenue	5(a)	1,893	1,255	14,695	9,787
Other net income	5(b)	95,846	38,905	744,014	303,401
Administrative and other operating expenses		(14,569)	(15,868)	(113,093)	(123,747)
Operating profit before finance cost	3	156,571	74,163	1,215,399	578,359
Finance cost	7	(1,997)	(3,457)	(15,502)	(26,959)
Operating profit		154,574	70,706	1,199,897	551,400
Loss on disposal of a subsidiary		–	(418)	–	(3,260)
Impairment loss on investment securities		(21,420)	–	(166,275)	–
Impairment loss write back/(provided) on properties		2,842	(695)	22,061	(5,420)
Deficit on revaluation of investment properties		(8,774)	(17,305)	(68,109)	(134,953)
Net gain on disposal of investment properties		310	–	2,406	–
Operating profit on ordinary activities		127,532	52,288	989,980	407,767
Share of profits less losses of associates	6	24,571	18,045	190,735	140,724

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP**

		2003	2002	2003	2002
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of profits less losses of jointly controlled entities		<u>–</u>	<u>48</u>	<u>–</u>	<u>374</u>
Profit from ordinary activities before taxation	6	152,103	70,381	1,180,715	548,865
Taxation	8	<u>1,620</u>	<u>(10,714)</u>	<u>12,575</u>	<u>(83,553)</u>
Profit after taxation		153,723	59,667	1,193,290	465,312
Minority interests		<u>4,883</u>	<u>(3,180)</u>	<u>37,905</u>	<u>(24,799)</u>
Profit attributable to shareholders		158,606	56,487	1,231,195	440,513
Appropriations :					
Final dividend paid	9	<u>(29,679)</u>	<u>(29,164)</u>	<u>(230,386)</u>	<u>(227,431)</u>
Retained profit for the period		<u>128,927</u>	<u>27,323</u>	<u>1,000,809</u>	<u>213,082</u>
Earnings per share		<i>US\$</i>	<i>US\$</i>	<i>HK\$</i>	<i>HK\$</i>
Basic	10	<u>0.48</u>	<u>0.17</u>	<u>3.76</u>	<u>1.36</u>
Diluted	10	<u>0.48</u>	<u>0.17</u>	<u>3.75</u>	<u>1.35</u>
		<i>US\$'000</i>	<i>US\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed interim dividend	9	<u>16,956</u>	<u>16,783</u>	<u>131,621</u>	<u>130,885</u>

Condensed consolidated statement of changes in equity*For the six months ended 31 December 2003 – unaudited*

	2003	2002	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total equity at 1 July				
As previously reported	3,701,557	3,577,730	28,864,743	27,905,937
Effect of adopting SSAP 12 (revised) (<i>Note 2</i>)	944	847	7,365	6,604
	<u>3,702,501</u>	<u>3,578,577</u>	<u>28,872,108</u>	<u>27,912,541</u>
Exchange adjustments	–	–	(131,074)	(5,008)
	<u>3,702,501</u>	<u>3,578,577</u>	<u>28,741,034</u>	<u>27,907,533</u>
Capital distribution of an associate	(28,406)	–	(220,505)	–
Share of subsidiaries' and associates' capital reserves movement	(527)	(26)	(4,091)	(203)
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	10,854	5,278	84,257	41,159
Net gains/(losses) not recognised in the consolidated income statement	(18,079)	5,252	(140,339)	40,956
Group profit attributable to shareholders	158,606	56,487	1,231,195	440,513
Dividend paid	(29,679)	(29,164)	(230,386)	(227,431)
Shares issued under executive share option scheme	4,818	8,160	37,400	63,634
Total equity at 31 December	<u>3,818,167</u>	<u>3,619,312</u>	<u>29,638,904</u>	<u>28,225,205</u>

Consolidated balance sheet*As at 31 December 2003*

		At 31 December 2003 (Unaudited) <i>Note</i> <i>US\$'000</i>	At 30 June 2003 (Audited) <i>US\$'000</i> <i>(Restated)</i>	At 31 December 2003 (Unaudited) <i>HK\$'000</i>	At 30 June 2003 (Audited) <i>HK\$'000</i> <i>(Restated)</i>
NON-CURRENT ASSETS					
Fixed assets		237,328	232,897	1,842,282	1,816,131
Interest in associates		398,069	408,903	3,090,050	3,188,626
Interest in jointly controlled entities		(2,648)	(4,341)	(20,555)	(33,851)
Other non-current financial assets	<i>11</i>	91,794	89,589	712,560	698,615
Deferred tax assets		1,145	1,139	8,888	8,888
Goodwill		(16,808)	(10,249)	(130,474)	(79,922)
		<u>708,880</u>	<u>717,938</u>	<u>5,502,751</u>	<u>5,598,487</u>
CURRENT ASSETS					
Development properties	<i>12</i>	504,000	512,289	3,912,350	3,994,830
Properties held for sale		60,684	60,941	471,066	475,218
Other assets	<i>13</i>	60,778	62,246	471,795	485,394
Other investments in securities	<i>14</i>	850,358	333,728	6,600,989	2,602,411
Cash and short term funds		2,555,662	2,932,952	19,838,585	22,871,160
		<u>4,031,482</u>	<u>3,902,156</u>	<u>31,294,785</u>	<u>30,429,013</u>
CURRENT LIABILITIES					
Other payables and provisions	<i>15</i>	75,259	60,097	584,206	468,636
Current portion of bank loans and other borrowings	<i>16</i>	410,564	383,414	3,187,044	2,989,862
Insurance funds		3,308	3,606	25,679	28,120
Taxation		24,362	31,475	189,112	245,442
		<u>513,493</u>	<u>478,592</u>	<u>3,986,041</u>	<u>3,732,060</u>
Net current assets		<u>3,517,989</u>	<u>3,423,564</u>	<u>27,308,744</u>	<u>26,696,953</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		<u>4,226,869</u>	<u>4,141,502</u>	<u>32,811,495</u>	<u>32,295,440</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

		At 31 December 2003 (Unaudited)	At 30 June 2003 (Audited)	At 31 December 2003 (Unaudited)	At 30 June 2003 (Audited)
	<i>Note</i>	<i>US\$ '000</i>	<i>US\$ '000</i> <i>(Restated)</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i> <i>(Restated)</i>
NON-CURRENT LIABILITIES					
Non-current portion of bank loans and other borrowings	<i>17</i>	190,351	215,875	1,477,619	1,683,393
Deferred taxation		9,711	9,106	75,383	71,011
		<u>200,062</u>	<u>224,981</u>	<u>1,553,002</u>	<u>1,754,404</u>
Minority interests		<u>208,640</u>	<u>214,020</u>	<u>1,619,589</u>	<u>1,668,928</u>
NET ASSETS		<u>3,818,167</u>	<u>3,702,501</u>	<u>29,638,904</u>	<u>28,872,108</u>
CAPITAL AND RESERVES					
Share capital	<i>18</i>	164,526	163,606	1,277,150	1,275,800
Reserves	<i>19</i>	3,653,641	3,538,895	28,361,754	27,596,308
		<u>3,818,167</u>	<u>3,702,501</u>	<u>29,638,904</u>	<u>28,872,108</u>

Condensed consolidated cash flow statement*For the six months ended 31 December 2003 – unaudited*

	2003 <i>US\$'000</i>	2002 <i>US\$'000</i>
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(316,314)	41,899
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(7,707)	2,094
NET CASH USED IN FINANCING	<u>(63,982)</u>	<u>(122,063)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(388,003)	(78,070)
EFFECT OF FOREIGN EXCHANGE RATES	10,713	(736)
CASH AND CASH EQUIVALENTS AS AT 1 JULY	<u>2,932,952</u>	<u>1,713,480</u>
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	<u><u>2,555,662</u></u>	<u><u>1,634,674</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and short term funds	<u><u>2,555,662</u></u>	<u><u>1,634,674</u></u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT**1. Basis of preparation**

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

The information in this interim financial report is unaudited and does not constitute statutory financial statements. The financial information relating to the financial year ended 30 June 2003, included in the interim financial report is extracted from the Company’s statutory financial statements. Statutory financial statements for the year ended 30 June 2003 can be obtained on request at the Group Company Secretariat, 50/F The Center, 99 Queen’s Road Central, Hong Kong, or from the Company’s website www.guoco.com. The auditors have expressed an unqualified opinion on those financial statements in their report dated 17 October 2003.

2. Accounting policies

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

The accounting policies adopted are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 30 June 2003, with the exception of change in accounting policy following its adoption of revised SSAP 12 (revised) “Income Taxes” issued by the HKSA which is effective for accounting period commencing on or after 1 January 2003.

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. SSAP 12 (revised) requires the adoption of the balance sheet liability method, whereby deferred tax is provided in full in respect of all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy. As a result of the adoption of this accounting policy, the Group’s opening retained earnings as at 1 July 2002 and 1 July 2003 have been increased by US\$847,000 and US\$944,000 respectively. There is no significant impact on the Group’s net assets as at 31 December 2003 and its net profit attributable to shareholders for both periods presented.

3. Segment information

Business Segments

	Treasury, fund and investment management (Unaudited) US\$'000	Property development (Unaudited) US\$'000	Property investment (Unaudited) US\$'000	Securities, commodities and brokerage (Unaudited) US\$'000	Insurance (Unaudited) US\$'000	Inter-segment elimination (Unaudited) US\$'000	Total (Unaudited) US\$'000
For the six months ended							
31 December 2003							
Turnover	60,599	86,212	5,961	4,247	6,141	–	163,160
Inter-segment turnover	5,552	–	322	51	–	(5,925)	–
	<u>66,151</u>	<u>86,212</u>	<u>6,283</u>	<u>4,298</u>	<u>6,141</u>	<u>(5,925)</u>	<u>163,160</u>
Contribution from operations	151,434	4,385	4,179	704	402	–	161,104
Unallocated income							2,735
Unallocated expenses							<u>(7,268)</u>
Operating profit before finance cost							<u>156,571</u>
For the six months ended							
31 December 2002							
Turnover	28,957	65,217	9,765	3,000	6,876	–	113,815
Inter-segment turnover	479	–	474	12	28	(993)	–
	<u>29,436</u>	<u>65,217</u>	<u>10,239</u>	<u>3,012</u>	<u>6,904</u>	<u>(993)</u>	<u>113,815</u>
Contribution from operations	61,414	10,926	4,929	(2,213)	514	–	75,570
Unallocated income							1,213
Unallocated expenses							<u>(2,620)</u>
Operating profit before finance cost							<u>74,163</u>

Geographical Segments

	Turnover		Operating profit/(loss)	
	Six months ended		Six months ended	
	31 December		31 December	
	2003	2002	2003	2002
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
	US\$'000	US\$'000	US\$'000	US\$'000
Hong Kong	71,903	37,930	129,570	64,407
Singapore	89,316	71,675	20,427	5,073
Asia (excluding Hong Kong and Singapore)	1,324	3,633	4,673	1,231
Others	617	577	(96)	(5)
	<u>163,160</u>	<u>113,815</u>	<u>154,574</u>	<u>70,706</u>

4 Turnover

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

	Six months ended	
	31 December	
	2003	2002
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Income from sale of properties	86,212	65,217
Interest income	19,264	20,907
Dividend income from listed securities	6,207	1,838
Dividend income from unlisted securities	–	6,006
Rental income from properties	5,842	7,671
Gross insurance premiums	6,115	6,832
Securities commission and brokerage	3,514	2,440
Income from sale of investments in securities	34,438	(769)
Other income	1,568	3,673
	<u>163,160</u>	<u>113,815</u>

5 Other revenue and net income

(a) Other revenue

	Six months ended 31 December	
	2003 (Unaudited) US\$'000	2002 (Unaudited) US\$'000
Interest income from listed securities	486	663
Interest income from unlisted securities	–	45
Others	1,407	547
	<u>1,893</u>	<u>1,255</u>

(b) Other net income

	Six months ended 31 December	
	2003 (Unaudited) US\$'000	2002 (Unaudited) US\$'000
Net unrealised gains/(losses) on other investments	49,787	(28,872)
Net exchange gains	43,334	18,225
Net realised gains on other investments	2,432	54,713
Gain on foreign exchange contracts	885	1,794
Gain on disposal of fixed assets	13	6
Others	(605)	(6,961)
	<u>95,846</u>	<u>38,905</u>

6 Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at:

	Six months ended	
	31 December	
	2003	2002
	(Unaudited)	(Unaudited)
	<i>US\$ '000</i>	<i>US\$ '000</i>
after charging:		
Staff costs (including retirement scheme contributions of US\$617,000 (2002: US\$506,000))	9,480	10,041
Depreciation	1,220	1,439
Operating lease charges		
– properties	843	740
– others	5	4
Amortisation of positive goodwill included in share of profits less losses of associates	716	427
Auditors' remuneration	134	131
Impairment loss on properties	–	695
Impairment loss on investment securities	21,420	–
Donations	<u>2</u>	<u>7</u>
and crediting:		
Amortisation of negative goodwill	2,332	818
Impairment loss write back on properties	<u>2,842</u>	<u>–</u>
Gross rental income from investment properties	5,842	7,671
Less: direct outgoings	<u>(538)</u>	<u>(789)</u>
Net rental income	<u>5,304</u>	<u>6,882</u>
Share of profits less losses of associates:		
– Listed	24,304	15,408
– Unlisted	<u>267</u>	<u>2,637</u>
	<u>24,571</u>	<u>18,045</u>

7 Finance cost

	Six months ended 31 December	
	2003 (Unaudited) US\$'000	2002 (Unaudited) US\$'000
Interest on bank advances and other borrowings repayable within five years	8,489	11,645
Other borrowing costs	292	410
	<u>8,781</u>	<u>12,055</u>
Total borrowing costs	8,781	12,055
Less : Borrowing costs capitalised into development properties (<i>Note</i>)	(6,784)	(8,598)
	<u>1,997</u>	<u>3,457</u>

Note: The borrowing costs have been capitalised at a rate of 1.8% – 6.1% per annum (2002: 1.7% – 6.1%).

8 Taxation

Taxation in the consolidated income statement represents:

	Six months ended 31 December	
	2003 (Unaudited) US\$'000	2002 (Unaudited) US\$'000
Hong Kong Profits Tax	(2,912)	149
Overseas taxation	(1,570)	2,100
Deferred taxation	452	2,316
	<u>(4,030)</u>	<u>4,565</u>
Share of associates' taxation	2,410	6,149
	<u>(1,620)</u>	<u>10,714</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 17.5% (2002: 16%) to the profits for the six months ended 31 December 2003. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that would be applicable to the relevant countries.

9 Dividends

	Six months ended 31 December	
	2003 (Unaudited) US\$'000	2002 (Unaudited) US\$'000
2003: Final dividend paid of HK\$0.70 per share (2002: HK\$0.70 per share)	<u>29,679</u>	<u>29,164</u>
2004: Proposed interim dividend of HK\$0.40 per share (2003: HK\$0.40 per share)	<u>16,956</u>	<u>16,783</u>

The proposed interim dividend for the year ending 30 June 2004 of US\$16,956,000 is calculated based on 329,051,373 ordinary shares in issue as at 31 December 2003.

10 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of US\$158,606,000 (2002: US\$56,487,000) and the weighted average number of 327,686,481 ordinary shares (2002: 324,490,014 ordinary shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of US\$ 158,548,000 (2002: US\$56,473,000) and the weighted average number of 328,533,778 ordinary shares (2002: 327,041,227 ordinary shares) in issue during the period after adjusting for the effect of all dilutive potential ordinary shares.

(c) Reconciliations

	2003 Number of shares	2002 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	327,686,481	324,490,014
Deemed issue of ordinary shares under share option scheme	<u>847,297</u>	<u>2,551,213</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>328,533,778</u>	<u>327,041,227</u>

11 Other non-current financial assets

	At 31 December 2003 (Unaudited) US\$'000	At 30 June 2003 (Audited) US\$'000
Investment securities		
Equity securities		
– Listed outside Hong Kong	85,484	83,443
– Unlisted	5,822	5,659
	<u>91,306</u>	<u>89,102</u>
Club and other debentures	488	487
	<u>91,794</u>	<u>89,589</u>
Market value of listed equity securities	<u>87,489</u>	<u>68,798</u>

Certain listed investment securities with total carrying values of US\$65.9 million (30 June 2003: US\$76.2 million) were pledged with a bank to secure short-term bank loan facilities.

12 Development properties

	At 31 December 2003 (Unaudited) US\$'000	At 30 June 2003 (Audited) US\$'000
Cost as at 31 December/30 June	918,000	842,583
Less: Attributable loss	(37,264)	(32,376)
Less: Impairment loss	(106,729)	(113,735)
Less: Progress instalments received and receivable	(270,007)	(184,183)
	<u>504,000</u>	<u>512,289</u>

The amount of development properties expected to be recovered after more than one year is US\$243.3 million (30 June 2003: US\$315.5 million).

Certain of the Group's development properties with an original book value of US\$511.9 million (30 June 2003: US\$477.7 million) are under legal mortgages with banks.

13 Other assets

	At 31 December 2003 (Unaudited) <i>US\$ '000</i>	At 30 June 2003 (Audited) <i>US\$ '000</i>
Accrued interest	3,012	2,361
Other accounts	57,766	59,885
	<u>60,778</u>	<u>62,246</u>

Included in other accounts are amounts of US\$11.5 million (30 June 2003: US\$11.3 million) which are expected to be recovered after more than one year.

14 Other investments in securities

	At 31 December 2003 (Unaudited) <i>US\$ '000</i>	At 30 June 2003 (Audited) <i>US\$ '000</i>
Debt securities		
Listed		
– In Hong Kong	581	608
– Outside Hong Kong	529	27,637
	<u>1,110</u>	<u>28,245</u>
Equity securities		
Listed		
– In Hong Kong	64,954	37,268
– Outside Hong Kong	758,478	216,663
	823,432	253,931
Unlisted	34	34
	<u>823,466</u>	<u>253,965</u>
Unit Trust		
Unlisted	25,782	51,518
	<u>850,358</u>	<u>333,728</u>
Market value of other listed investments in securities		
– Debt securities	1,110	28,245
– Equity securities	823,432	253,931
	<u>824,542</u>	<u>282,176</u>

15 Other payables and provisions

	At 31 December 2003 (Unaudited) US\$ '000	At 30 June 2003 (Audited) US\$ '000
Other payables and provisions	75,222	60,059
Amounts due to associates	<u>37</u>	<u>38</u>
	<u><u>75,259</u></u>	<u><u>60,097</u></u>

Included in other payables are amounts of US\$3.1 million (30 June 2003: US\$5.3 million) which are expected to be settled after more than one year.

16 Current portion of bank loans and other borrowings

	At 31 December 2003 (Unaudited) US\$ '000	At 30 June 2003 (Audited) US\$ '000
Bank loans		
– Secured	248,531	259,028
– Unsecured	<u>109,121</u>	<u>61,966</u>
	357,652	320,994
Unsecured long term notes and bonds repayable within 1 year	<u>52,912</u>	<u>62,420</u>
	<u><u>410,564</u></u>	<u><u>383,414</u></u>

17 Non-current portion of bank loans and other borrowings

	At 31 December 2003 (Unaudited) US\$ '000	At 30 June 2003 (Audited) US\$ '000
Bank loans		
– Secured	103,598	113,080
– Unsecured	<u>–</u>	<u>41,724</u>
	103,598	154,804
Long term notes and bonds		
– Unsecured medium term notes	<u>86,753</u>	<u>61,071</u>
	<u><u>190,351</u></u>	<u><u>215,875</u></u>

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

	At 31 December 2003			At 30 June 2003		
	Bank loans (Unaudited) <i>US\$'000</i>	Other		Bank loans (Audited) <i>US\$'000</i>	Other	
		borrowings (Unaudited) <i>US\$'000</i>	Total (Unaudited) <i>US\$'000</i>		borrowings (Audited) <i>US\$'000</i>	Total (Audited) <i>US\$'000</i>
On demand or within 1 year	357,652	52,912	410,564	320,994	62,420	383,414
After 1 year but within 2 years	13,012	46,919	59,931	54,440	45,318	99,758
After 2 years but within 5 years	90,586	39,834	130,420	100,364	15,753	116,117
	<u>103,598</u>	<u>86,753</u>	<u>190,351</u>	<u>154,804</u>	<u>61,071</u>	<u>215,875</u>
	<u>461,250</u>	<u>139,665</u>	<u>600,915</u>	<u>475,798</u>	<u>123,491</u>	<u>599,289</u>

18 Share capital

	At 31 December 2003		At 30 June 2003	
	No. of shares (Unaudited) (<i>'000</i>)	(Unaudited) <i>US\$'000</i>	No. of shares (Audited) (<i>'000</i>)	(Audited) <i>US\$'000</i>
Authorised:				
Ordinary shares of US\$0.50 each	<u>1,000,000</u>	<u>500,000</u>	<u>1,000,000</u>	<u>500,000</u>
Issued and fully paid:				
As at 1 July	327,211	163,606	324,081	162,041
Share issued under executive share option scheme	<u>1,840</u>	<u>920</u>	<u>3,130</u>	<u>1,565</u>
As at 31 December/30 June	<u>329,051</u>	<u>164,526</u>	<u>327,211</u>	<u>163,606</u>

During the period, share options were exercised to subscribe for 1,840,000 (1 July 2002 to 30 June 2003 : 3,130,000 shares) shares in the Company at a consideration net of charges of US\$4,818,000 (1 July 2002 to 30 June 2003: US\$8,160,000) of which US\$920,000 (1 July 2002 to 30 June 2003: US\$1,565,000) was credited to share capital and the balance of US\$3,898,000 (1 July 2002 to 30 June 2003: US\$6,595,000) was credited to the share premium account. At 31 December 2003, no share option was outstanding (30 June 2003: 1,840,000 share options).

19 Reserves

	Share premium (Unaudited) US\$'000	Capital and other reserves (Unaudited) US\$'000	Contributed surplus (Unaudited) US\$'000	Exchange translation reserve (Unaudited) US\$'000	Retained profits (Unaudited) US\$'000	Total (Unaudited) US\$'000
At 1 July 2003						
As previously reported	6,595	78,771	3,978	14,089	3,434,518	3,537,951
Effect of adopting SSAP 12 (revised) (Note 2)	–	–	–	–	944	944
As restated	6,595	78,771	3,978	14,089	3,435,462	3,538,895
Shares issued under executive share option scheme	3,898	–	–	–	–	3,898
Transfer between reserves	–	2,606	–	–	(2,606)	–
Capital distribution of an associate	–	(25,384)	–	–	(3,022)	(28,406)
Share of subsidiaries' and associates' capital reserves movement	–	(527)	–	–	–	(527)
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	–	573	–	10,281	–	10,854
Retained profit for the period	–	–	–	–	128,927	128,927
At 31 December 2003	<u>10,493</u>	<u>56,039</u>	<u>3,978</u>	<u>24,370</u>	<u>3,558,761</u>	<u>3,653,641</u>
	Share premium (Audited) US\$'000	Capital and other reserves (Audited) US\$'000	Contributed surplus (Audited) US\$'000	Exchange translation reserve (Audited) US\$'000	Retained profits (Audited) US\$'000	Total (Audited) US\$'000
At 1 July 2002						
As previously reported	–	58,837	3,978	9,736	3,343,138	3,415,689
Effect of adopting SSAP 12 (revised) (Note 2)	–	–	–	–	847	847
As restated	–	58,837	3,978	9,736	3,343,985	3,416,536
Shares issued under executive share option scheme	6,595	–	–	–	–	6,595
Transfer between reserves	–	19,770	–	–	(19,770)	–
Share of subsidiaries' and associates' capital reserves movement	–	109	–	–	–	109
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	–	55	–	4,353	–	4,408
Retained profit for the year	–	–	–	–	111,247	111,247
At 30 June 2003	<u>6,595</u>	<u>78,771</u>	<u>3,978</u>	<u>14,089</u>	<u>3,435,462</u>	<u>3,538,895</u>

20 Contingent liabilities

As at 31 December 2003, 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 US\$21,256,000 (30 June 2003: US\$40,124,000) and US\$21,256,000 (30 June 2003: US\$21,159,000) respectively granted to group companies and certain investee companies of the Group.

21 Material related party transactions*(a) Banking transactions*

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

During the period, 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 period and balance outstanding at the balance sheet date is set out below:

(i) Income and expense

	Six months ended	
	31 December	
	2003	2002
	(Unaudited)	(Unaudited)
	<i>US\$ '000</i>	<i>US\$ '000</i>
Interest income	<u>902</u>	<u>471</u>

(ii) Balance as

	At 31 December	At 30 June
	2003	2003
	(Unaudited)	(Audited)
	<i>US\$ '000</i>	<i>US\$ '000</i>
Cash and short term funds	<u>178,601</u>	<u>149,314</u>

(b) Management fee

On 21 August 2001, the Company has entered into a management services agreement, determinable by either party giving six months' notice, with GOMC Limited (“GOMC”), a subsidiary of the Company's substantial shareholder, for provision of general management services to the Group by GOMC. The agreement replaced the previous services agreements between GOMC and certain operating subsidiaries of the Group. Total management fees paid and payable to GOMC for the period ended 31 December 2003 amounted to US\$4.7 million (2002: US\$2.0 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 period ended 31 December 2003, the Group made a total contribution of US\$0.4 million to the scheme (2002: US\$0.5 million).

22 Post balance sheet event

Pursuant to a Sale and Purchase Agreement dated 12 December 2003 between DH Capital Management (BVI) Limited and Principal Asset Management Company (Asia) Limited, the Group disposed its entire interest in Dao Heng Fund Management Limited, a wholly owned subsidiary. The transaction was completed on 31 January 2004 and the profit arising from disposal amounted to approximately US\$11 million.

23 Hong Kong dollar amounts

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

4 INDEBTEDNESS

As at the close of business on 29 February 2004, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document, the Group had the following indebtedness.

The Group had outstanding bank loans of approximately US\$545 million (equivalent to HK\$4,241 million), comprising secured bank loans of approximately US\$438 million (equivalent to HK\$3,409 million) and unsecured bank loans of approximately US\$107 million (equivalent to HK\$832 million). The secured bank loan facilities were secured by mortgages on investment properties, development properties and quoted equity investments.

The Group also had outstanding unsecured notes and bonds of approximately US\$169 million (equivalent to HK\$1,315 million).

The Group had contingent liabilities in respect of corporate guarantees given to banks by the Group to the extent of US\$21 million (equivalent to HK\$165 million) to secure banking facilities granted to certain investee companies of the Group.

Save as aforesaid and excluding intra-group liabilities, the Group did not have, at the close of business on 29 February 2004, any outstanding mortgages, charges, debentures, loan capital, bank loans or overdrafts, debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

5 REVALUATION SURPLUS

The surplus arising from valuation of properties and property interests of the Group as at 29 February 2004 as set out in Appendix III to this Document amounted to approximately HK\$392 million.

6 MATERIAL CHANGES

The Directors are not aware of any material change in the financial or trading position or prospects of the Group since 30 June 2003, the date to which the latest audited financial statements of the Group were made up.



CB Richard Ellis Limited

Suite 3401 Central Plaza
18 Harbour Road
Wanchai, Hong Kong
T 852 2820 2800
F 852 2810 0830

香港灣仔港灣道十八號中環廣場三四零一室
電話852 2820 2800 傳真 852 2810 0830

www.cbre.com.hk

地產代理（公司）牌照號碼
Estate Agent's Licence No: C-004065

Our Ref: V/F04-051/AL

14 April 2004

The Directors
Guoco Group Limited
50/F, The Center
99 Queen's Road Central
Hong Kong

Dear Sirs,

PROPERTY VALUATION FOR 6 PROPERTIES IN PRC AND HK

We refer to your instructions for us to carry out a valuation of six property interests held by Guoco Group Limited and its subsidiaries (hereinafter together known as the "Group") in Hong Kong and the People's Republic of China ("the PRC"). We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinions of the open market values of the property interests as at 29 February 2004 ("the date of valuation").

Unless otherwise stated, our valuation is prepared in accordance with the "Hong Kong Guidance Notes on the Valuation of Property Assets" published by The Hong Kong Institute of Surveyors ("HKIS"). If the Guidance Notes are silent on subjects requiring guidance, we refer to the "Appraisal and Valuation Manual" published by The Royal Institution of Chartered Surveyors ("RICS") subject to variation to meet local established law, custom, practice and market conditions.

Our valuation is made on the basis of Open Market Value, defined by the HKIS as “the best price at which the sale of an interest in the property would have been completed unconditionally for cash consideration on the date of valuation assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;
- (c) that the state of the market, levels of value and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

We have valued the property interests by making reference to comparable sales evidences as available in the markets. Our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the values of the properties.

In forming our opinion of value of Property Nos. 1 and 6 in the PRC, we have assumed that the Group has free uninterrupted rights to use and assign the property interest for the whole of the unexpired term of land use right as granted. Unless otherwise stated, we have valued the property interest on the assumption that it is freely disposable and transferable for its existing uses to both local and overseas purchasers whether as a whole or on a strata-title basis without payment of any premium to the relevant authorities.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation that may be incurred in effecting sales. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature that could affect their values.

We have relied to a considerable extent on the information provided by the Group and the legal opinion of the Group’s PRC legal adviser. We have no reason to doubt the truth and accuracy of the information provided to us by the Group and/or its PRC legal adviser, which is material to valuation. We were also advised by the Group that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and have no reason to suspect that material information has been withheld.

We have not seen original planning and/or development schemes and occupation consents for the properties and have assumed that they have been erected and are being occupied and used in accordance with such consents and that there are no outstanding statutory notices.

We have accepted advice given to us on matters such as interests attributable to the Group, tenures, planning approvals, statutory notices, site and floor areas, and all other material information supplied by the Group. All documents and leases have been used for reference only and all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximate. No on-site measurements have been taken.

We have not been provided with copies of the title documents relating to the property interests in Hong Kong, but we have caused searches to be made at the Land Registry. However, we have not examined the original documents to verify ownership or to ascertain the existence of any lease amendments that may not appear on the copies handed to us. All documents have been used for reference only.

In respect of Property Nos. 1 and 6 in the PRC, we have been provided with extracts of documents in relation to the titles to the property interest, However, we have not scrutinised the original documents to verify ownership and encumbrances, or to ascertain any amendment which may or may not appear on the copies handed to us. All documents have been used for reference only.

We have inspected the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects.

We have not carry out land survey to verify the site boundaries of the properties, we have not investigated the site to determine the suitability of soil conditions, the availability of services, etc. for future development. Our report is prepared on the assumption that these aspects are satisfactory. This report does not make any allowance for contamination or pollution of the lands, if any, which may have occurred as a result of past usage.

Property Nos. 1 and 6 in the PRC have been valued in US Dollars (“US\$”). The valuations have been converted into Hong Kong Dollars in this report at the exchange rate prevailing on the date of valuation at US\$1 to HK\$7.7820. There has been no significant fluctuation in that exchange rate between the date of valuation and the date of this letter.

A summary of valuations and our valuation certificate are attached hereto.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited
Alex PW Leung RPS(GP) MHKIS MRICS
Director
Valuation & Advisory Services

Note: Mr. Leung is a Registered Professional Surveyor (General Practice), a corporate member of Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. He is a Director of the Valuation & Advisory Services Department of CB Richard Ellis Ltd. and has over nine years’ valuation experience in both Hong Kong and the PRC.

SUMMARY OF VALUATIONS

Property	Capital value of property interest valued as at 29 February 2004	% of property interest valued attributable to the Group	Capital Value as at 29 February 2004 attributable to the Group
Group I – Property interests held for investment or future sale			
1. Unsold units in Corporate Square No. 35 Financial Street Xicheng District, Beijing The People's Republic of China	HK\$465,000,000	46%	HK\$213,900,000
2. Room 2302, 23rd Floor Wing On House No. 71 Des Voeux Road Central Central, Hong Kong	HK\$26,000,000	100%	HK\$26,000,000
3. 12 and 15th Floors The Center No. 99 Queen's Road Central Central, Hong Kong	HK\$230,000,000	100%	HK\$230,000,000
4. 33 to 35th Floors Wu Chung House No. 213 Queen's Road East Wanchai, Hong Kong	HK\$166,000,000	100%	HK\$166,000,000
5. 17, 18, 24 to 27th Floors and Penthouse, Car Parking Spaces Nos. 9 to 14 on 2nd Floor Overseas Trust Bank Building No. 160 Gloucester Road Wanchai, Hong Kong	HK\$116,000,000	100%	HK\$116,000,000
Group I sub-total:	HK\$1,003,000,000		HK\$751,900,000
Group II – Property interest held for development			
6. Plot 1/1, Lot No. 131-7, Huaihai Zhong Road, Luwan District Shanghai The People's Republic of China	HK\$537,000,000	60.2%	HK\$323,274,000
TOTAL:	HK\$1,540,000,000		HK\$1,075,174,000



CB Richard Ellis (Pte) Ltd

6 Battery Road #32-01
Singapore 049909

T 65 6224 8181
F 65 6225 1987

www.cbre.com.sg

Our Ref: 329/4/6//8/9/KAM/LHH

1 April 2004

Guoco Group Limited
50/F The Center
99 Queen's Road Central
Hong Kong

Attention: The Directors

Dear Sirs

VALUATION OF PROPOSED DEVELOPMENTS OF

- 1) LEONIE STUDIO AT LEONIE HILL, SINGAPORE**
- 2) RESIDENTIAL DEVELOPMENT AT MEYER ROAD, SINGAPORE**
- 3) LE CRESCENDO AT PAYA LEBAR ROAD, SINGAPORE**
- 4) NATHAN PLACE AT NATHAN ROAD, SINGAPORE**
- 5) PATERSON RESIDENCE AT PATERSON ROAD, SINGAPORE**

We refer to your instructions to advise on the open market value of the above properties as at 29 February 2004, assuming the satisfactory completion of the proposed developments. In conducting this valuation, we have also been instructed to take into account the cost to complete the proposed developments, the actual consideration of apartment units that have been sold as well as the progress receipts. We confirm that we have made enquiries and searches and have obtained such further information as we consider necessary for the purpose of this valuation.

Open Market Value means the best price at which the sale of an interest in property might reasonably be expected to have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;

- (c) that the state of the market, level of value and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

Our valuations have been made on the assumption that the owner sells the properties on the open market in their existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement that would affect the values of the properties.

Where market values are assessed, they reflect the full contract value and no account is taken of any liability to taxation on sale or of the cost involved in affecting a sale. The properties are valued on the assumption that they are free and clear of all mortgages, encumbrances and other outstanding premiums and charges.

Where applicable, information as to title particulars, site areas and existing tenure is obtained from searches carried out at the Registry of Title and Deeds. We have also relied on information provided by our client in relation to such matters as gross and saleable floor areas, cost to complete, actual consideration of apartment units that have been sold and progress receipts etc.

In arriving at the open market value of the unsold apartment units (for projects that have been launched for sale), we have adopted the Direct Comparison Method. This involves the analysis of comparable sales and adjustments are made to reflect the differences in location, tenure, age of development, floor area and condition of unit, floor level, facilities within the development, standard of finishes and fittings as well as date of transaction amongst other factors affecting value. We have assumed the satisfactory completion of the proposed developments as at the material date of valuation.

As instructed by our client, we have deducted the cost to complete and progress receipts from our estimate of the gross development value. The gross development value is based on the summation of the actual consideration of apartment units that have been sold and the imputed market value of the remaining unsold apartment units as at the material date of valuation

Having considered the prevailing market conditions and other relevant factors, we summarise below the open market value of the properties as at 29 February 2004 (assuming their satisfactory completion), taking into account the cost to complete the proposed

developments, the actual consideration of apartment units that have been sold and the progress receipts:

S/N	Property	Open Market Value in existing state as at 29 February 2004	Interest attributable to Guoco Group	Capital Value in existing state as at 29 February 2004 attributable to Guoco Group
1.	Proposed development known as Leonie Studio erected on Lots 756C & 757M TS 21 at Leonie Hill, Singapore	S\$48,626,000 (HK\$222,828,645)*	61.4%	S\$29,856,364 (HK\$136,816,788)*
2.	Proposed development erected on Lots 97049M, 97044K & 97043A MK 25 at Meyer Road, Singapore	S\$31,602,000 (HK\$144,816,165)*	61.4%	S\$19,403,628 (HK\$88,917,125)*
3.	Proposed development known as Le Crescendo erected on Lot 8413V MK 24 at Paya Lebar Road, Singapore	S\$109,672,000 (HK\$502,571,940)*	61.4%	S\$67,338,608 (HK\$308,579,171)*
4.	Proposed development known as Nathan Place erected on Lot 99672X TS 24 at Nathan Road, Singapore	S\$28,026,000 (HK\$128,429,145)*	61.4%	S\$17,207,964 (HK\$78,855,495)*
5.	Proposed development known as Paterson Residence erected on Lot 1972T TS 24 at Paterson Road, Singapore	S\$137,103,000 (HK\$628,274,498)*	61.4%	S\$84,181,242 (HK\$385,760,541)*
	Total	S\$355,029,000 (HK\$1,626,920,393)*		S\$217,987,806 (HK\$998,929,121)*

* Note: Based on exchange rate of S\$1.00 to HK\$4.5825

Our valuation certificates are enclosed.

Yours faithfully,
CB RICHARD ELLIS (PTE) LTD
LI HIAW HO
 DipUrbVal (Auck) SNZPI FSISV
 Appraiser's Licence No. AD041-2445



Our Ref: PKE: NC: NAH: ao: 3.305: 0403230-0403234

7 April 2004

Guoco Group Limited
50/F The Center
99 Queen's Road Central
Hong Kong

Attn: The Directors

Dear Sirs,

**RE : VALUATION OF GUOCO GROUP'S INTERESTS
OF THE VARIOUS PROPERTIES IN SINGAPORE**

We refer to your recent instructions requesting a desk-top valuation of the various properties in which Guoco Group Limited (the "Company") and or its subsidiaries (hereinafter referred to as the "Group") have interests, to provide you with our opinion of the open market value of the various properties as at 29 February 2004.

The Guoco Group's interest of the various properties are as follows:-

- 1) 61.4% of Tung Centre
- 2) 61.4% of Robinson Centre
- 3) 55.3% of The Gardens At Bishan
- 4) 55.3% of Sanctuary Green
- 5) 61.4% of Bishan Point

In respect of the 3 properties viz-a-viz 3)The Gardens At Bishan, 4) Sanctuary Green and 5) Bishan Point, whereby some units have been sold, our valuations are on the remaining unsold units, taking into account the progressive payment receivable for the sold units and the outstanding costs to complete the projects as at 29 February 2004, (the "date of valuation").

The term "Open Market Value" as used herein is intended to mean "an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:-

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;

- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transactions had acted knowledgeably, prudently and without compulsion.”

Our valuation has been made on the assumption that the group sells the property interests on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the values of the property interests.

We enclosed herewith the valuation certificates of each property interest as well as an executive summary setting out the values appraised.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests, nor for any expenses or taxation which may be incurred in effecting a sale. We have assumed that the property interests are free of encumbrances, restrictions or other outgoings of an onerous nature which would affect value, other than those which have been indicated to us.

We have relied on information provided by the management of GuocoLand Ltd particularly in relation to matters such as lettings, occupancy, taxation, gross floor area and net saleable areas, unsold units, progressive payment receivable, outstanding costs to complete the projects, etc.

Finally and in accordance with our normal practice, we confirm that this Valuation Certificate is for the use only of the party to whom it is addressed and no responsibility whatsoever is accepted to any third party.

Neither the whole of this Certificate, not any part, nor reference thereto, may be published in any document, statement or circular, nor in any communication with third parties, without our prior written approval of the form and context in which it will appear.

Yours faithfully,
for and on behalf of
DTZ DEBENHAM TIE LEUNG (SEA) PTE LTD
Poh Kwee Eng (Ms)
Executive Director

EXECUTIVE SUMMARY

Property Interest	Capital Value in existing state as at 29 February 2004	Interest attributable to Guoco Group (%)	Capital Value in existing state as at 29 February 2004 attributable to Guoco Group
1) Tung Centre 20 Collyer Quay Singapore 049319	S\$185,000,000/-	61.4%	S\$113,590,000/- (HK\$520,526,175/-)*
2) Robinson Centre 61 Robinson Road Singapore 068893	S\$123,000,000/-	61.4%	S\$75,522,000/- (HK\$346,079,565/-)*
3) The Gardens at Bishan 1/3/7/9 Sin Ming Walk Singapore 575574/5/7/8	S\$219,940,000/-	55.3%	S\$121,626,820/- (HK\$557,354,903/-)*
4) Sanctuary Green 181/183/185/187/189/191 Tanjong Rhu Road Singapore 436922/3/4/5/6/7	S\$215,120,000/-	55.3%	S\$118,961,360/- (HK\$545,140,432/-)*
5) Bishan Point 61 Bright Hill Drive Singapore 579653	S\$46,990,000/-	61.4%	S\$28,851,860/- (HK\$132,213,648/-)*
Total	S\$790,050,000/-		S\$458,552,040/- (HK\$2,101,314,723/-)*

* based on exchange rate of S\$1.00 to HK\$4.5825

DTZ DEBENHAM TIE LEUNG (SEA) PTE LTD

Poh Kwee Eng (Ms)

Executive Director

BSc (Est Man) MSISV

(Appraiser's Licence No: AD041-2003168D)

Date: 7 April 2004

Our Ref: PKE: NC: NAH: ao: 0403230-0403234

1. RESPONSIBILITY STATEMENTS

This Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Company and the Offer.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Document insofar as it relates to the Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by them in this Document have been arrived at after due and careful consideration and there is no other information relating to the Group, not contained in this Document, the omission of which would make any statement herein misleading.

All the directors of the Offeror and all the directors of Hong Leong jointly and severally accept full responsibility for the accuracy of the information, other than the information relating to the Group, contained in this Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed by them in this Document have been arrived at after due and careful consideration and there is no other information, other than information relating to the Group, the omission of which would make any statement in this Document misleading.

2. MARKET PRICES

The table below sets out the closing prices of the Ordinary Shares as quoted by the Stock Exchange on: (i) the last day on which dealings took place in each of the six months immediately preceding the date of the Announcement; (ii) 25 March 2004 being the last trading day before the Announcement; and (iii) the Latest Practicable Date.

Date	Ordinary Share Price (HK\$)
30 September 2003	51.75
31 October 2003	54.75
28 November 2003	54.75
31 December 2003	57.00
30 January 2004	60.25
27 February 2004	59.00
25 March 2004	61.50
Latest Practicable Date	63.75

During the Disclosure Period (as that term is defined in Section 3 of this Appendix), the highest and lowest closing prices of the Ordinary Shares as quoted on the Stock Exchange was HK\$63.75 per Ordinary Share on 13 April 2004 and HK\$51.75 per Ordinary Share on 30 September 2003 respectively.

3. DISCLOSURE OF INTERESTS

For the purpose of this Appendix IV, “Disclosure Period” means the period beginning 26 September 2003 (being six months prior to 26 March 2004, which is the date of the commencement of the Offer Period) to the Latest Practicable Date (both dates inclusive) and “interested” and “interest” have the same meanings ascribed to them in Part XV of the SFO.

(a) Directors’ interests and short positions

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Ordinary Shares and debentures of the Company which were required pursuant to: (a) Divisions 7, 8 and 9 of the SFO, to be notified to the Company and the Stock Exchange; or (b) section 352 of Part XV of the SFO, to be entered into the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange; or (d) the Takeovers Code to be disclosed in this Document; or (e) information provided by the Directors additional to that required to be disclosed pursuant to the foregoing requirements, were as follows:

Directors’ interests and short positions in Ordinary Shares

Director	Number of shares/underlying shares (Long position)			Notes
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	1,656,325	223,725,917	225,382,242	1
Kwek Leng Hai	2,820,775	–	2,820,775	2
Sat Pal Khattar	691,125	–	691,125	3
Kwek Leng San	209,120	–	209,120	4
Tan Lim Heng	559,230	–	559,230	5
James Eng, Jr.	565,443	–	565,443	6
Harry Richard Wilkinson	5,000	–	5,000	7

Notes:

1. The total interests of 225,382,242 shares/underlying shares, which represented approximately 68.49% of the then total issued share capital of the Company, comprised 210,203,035 Ordinary Shares and 15,179,207 underlying shares of other unlisted derivatives.

The corporate interests of 223,725,917 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
The Offeror	209,652,983
MPI (BVI) Limited (“MPI (BVI)”)	327,575
Hong Leong (Netherlands Antilles) N.V. (“HLNA”)	7,320,359
Guoinvest International Limited (“Guoinvest”)	6,425,000

MPI (BVI) was wholly owned by Malaysian Pacific Industries Berhad which was 56.11% owned by Hong Leong Industries Berhad which was in turn 58.99% owned by Hong Leong. The Offeror, HLNA and Guoinvest were wholly owned by Guoline Capital Assets Limited which was in turn wholly owned by Hong Leong. Hong Leong was 49.11% owned by HL Holdings Sdn Bhd which was in turn wholly owned by Mr Quek Leng Chan.

2. The total interests in 2,820,775 shares, which represented approximately 0.86% of the then total issued share capital of the Company, were interests in Ordinary Shares.
3. The total interests in 691,125 shares, which represented approximately 0.21% of the then total issued share capital of the Company, were interests in Ordinary Shares.
4. The total interests in 209,120 shares, which represented approximately 0.06% of the then total issued share capital of the Company, were interests in Ordinary Shares.
5. The total interests in 559,230 shares, which represented approximately 0.17% of the then total issued share capital of the Company, were interests in Ordinary Shares.
6. The total interests in 565,443 shares, which represented approximately 0.17% of the then total issued share capital of the Company, were interests in Ordinary Shares.
7. The total interests in 5,000 shares, which represented approximately 0.002% of the then total issued share capital of the Company, were interests in Ordinary Shares.

(b) Offeror Parties' holdings of Company Securities*(i) The Offeror's holdings*

As at the Latest Practicable Date, the Offeror held 208,219,135 Ordinary Shares (representing approximately 63.28% of the entire issued share capital of the Company) and also held an equity derivative the underlying shares of which were 1,433,848 Ordinary Shares (representing approximately 0.44% of the entire issued share capital of the Company).

(ii) Holdings of directors of the Offeror and directors of Hong Leong

As at the Latest Practicable Date:

- (A) Quek Leng Chan (who is the Chairman and Chief Executive Officer of Hong Leong and the Executive Chairman of both the Offeror and the Company);
- (B) Kwek Leng Hai (who is a director of both Hong Leong and the Offeror and the President and Chief Executive of the Company); and
- (C) Kwek Leng San (who is a director of each of Hong Leong, the Offeror and the Company),

were each interested in Ordinary Shares as disclosed in Section 3(a) of this Appendix.

(iii) Holdings of Concert Parties (other than Quek Leng Chan, Kwek Leng Hai and Kwek Leng San)

As at the Latest Practicable Date, Hong Leong was deemed to be interested in all the Ordinary Shares in which the Offeror was interested in (as disclosed in Section 3(b) (i) of this Appendix) by virtue of owning the entire issued share capital of the Offeror.

As at the Latest Practicable Date, the Concert Parties (other than Quek Leng Chan, Kwek Leng Hai, Kwek Leng San and Hong Leong) were interested in the following Company Securities:

Name	Type of Company Security	Number of Company Securities (percentage of issued share capital)
MPI (BVI) Limited <i>(Note 1)</i>	Ordinary Shares	327,575 (0.10%)
Inala Group Limited <i>(Note 2)</i>	Ordinary Shares	2,261,862 (0.69%)
Kwek Lay Kuan <i>(Note 3)</i>	Ordinary Shares	70,000 (0.02%)
Quek Leng Chye <i>(Note 4)</i>	Ordinary Shares	16,822 (0.01%)
Hong Leong (Netherlands Antilles) N.V. <i>(Note 5)</i>	Equity derivatives <i>(Note 6)</i>	7,320,359
Guoinvest International Limited <i>(Note 5)</i>	Equity derivatives <i>(Note 7)</i>	6,425,000

Notes:

- 1 MPI (BVI) Limited is an indirect subsidiary of Hong Leong.
- 2 Inala Group Limited is an associated company of Hong Leong.
- 3 Kwek Lay Kuan is a sister of Kwek Leng Peck, who is a director of Hong Leong.
- 4 Quek Leng Chye is the brother of Quek Leng Chan, Kwek Leng Hai and Kwek Leng San.
- 5 Hong Leong (Netherlands Antilles) N.V. and Guoinvest International Limited are both indirect subsidiaries of Hong Leong.
- 6 The maturity date is 19 July 2004 and the reference price is HK\$44.21 per Ordinary Share.
- 7 The equity derivatives are in 2 tranches comprising tranche 1 of 4,501,000 underlying Ordinary Shares with maturity date of 4 January 2005 and reference price of HK\$43.94 per Ordinary Share and tranche 2 of 1,924,000 underlying Ordinary Shares with maturity date of 5 January 2007 and reference price of HK\$54.63 per Ordinary Share.

(c) Substantial Shareholders' interest in the Group

As at the Latest Practicable Date, so far as was known to the Directors, the persons (other than the Directors or the chief executive of the Company whose interests were disclosed in Section 3(a) of this Appendix) who had, or were deemed to have, an interest or short position in the securities of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2, 3 and 4 of Part XV of the SFO were as follows:

Shareholders	Capacity	Number of shares/ Underlying shares (Long position)	<i>Notes</i>
Hong Leong Company (Malaysia) Berhad	Interest of controlled corporations	223,725,917	1
HL Holdings Sdn Bhd ("HLH")	Interest of controlled corporations	223,725,917	2 & 3
Hong Leong Investment Holdings Pte Ltd ("HLInv")	Interest of controlled corporations	223,725,917	2 & 4
Kwek Holdings Pte Ltd ("KH")	Interest of controlled corporations	223,725,917	2 & 5
Davos Investment Holdings Private Limited ("Davos")	Interest of controlled corporations	223,725,917	2 & 6
Kwek Leng Kee ("KLK")	Interest of controlled corporations	223,725,917	2 & 7

Notes:

- These interests, which representing approximately 67.99% of the then total issued share capital of the Company, comprised 208,546,710 Ordinary Shares and 15,179,207 underlying shares of unlisted cash settled derivatives.

These interests comprised the respective direct interests held by:

	Number of shares/underlying shares
The Offeror	209,652,983
MPI (BVI) Limited ("MPI (BVI)")	327,575
Hong Leong (Netherlands Antilles) N.V. ("HLNA")	7,320,359
Guoinvest International Limited ("Guoinvest")	6,425,000

Guoinvest was wholly owned by Guoline Capital Assets Limited (“GCA”). MPI (BVI) was wholly owned by Malaysian Pacific Industries Berhad which was 56.11% owned by Hong Leong Industries Berhad which was in turn 58.99% owned by Hong Leong. HLNA and the Offeror were wholly owned by GCA which was in turn wholly owned by Hong Leong. Hong Leong was 49.11% owned by HL Holdings Sdn Bhd which was in turn wholly owned by Mr Quek Leng Chan.

2. The interests of HLH, HLInv, KH, Davos and KLK are deemed interest through Hong Leong.
3. HLH was deemed to be interested in these interests through its controlling interests of 49.11% in Hong Leong.
4. HLInv was deemed to be interested in these interests through its controlling interests of 34.49% in Hong Leong.
5. KH was deemed to be interested in these interests through its controlling interests of 49.00% in HLInv.
6. Davos was deemed to be interested in these interests through its controlling interests of 33.59% in HLInv.
7. KLK was deemed to be interested in these interests through his controlling interests of 41.92% in Davos.

(d) Interests in the Offeror

As at the Latest Practicable Date, Quek Leng Chan has an indirect interest in the Offeror through his interest in its parent company, Hong Leong. Quek Leng Chan’s interest in Hong Leong is set out in Note 1 to Directors’ interests and short positions in Ordinary Shares in Section 3(a) of this Appendix.

As at the Latest Practicable Date, save as disclosed above:

- (i) none of the Offeror Parties has any other interest or short position in the Company Securities;
- (ii) none of the directors of the Offeror or Hong Leong has any other interest in the Company Securities;
- (iii) none of the Directors has any interest in the Company Securities;
- (iv) none of the Directors has any interest in the shares of the Offeror or Hong Leong or any convertible securities, warrants, options or derivatives in respect of shares of the Offeror or Hong Leong;
- (v) Access Capital does not own or control any Company Securities;

- (vi) none of the subsidiaries of the Company owns or controls any Company Securities;
- (vii) there is no pension fund of the Company or a subsidiary of the Company which owns or controls any Company Securities;
- (viii) there is no adviser to the Company (as specified in class (2) of the definition of associate in the Takeovers Code, but excluding exempt principal traders, as that term is defined in the Takeovers Code) which owns or controls any Company Securities; and
- (ix) the Company does not have any interest in the shares of the Offeror or any convertible securities, warrants, options and derivatives in respect of the shares of the Offeror.

4. DEALINGS

(a) Directors and the Offeror's dealings in the Company Securities

During the Disclosure Period, the following Directors have exercised Options granted to them under the Executive Share Option Scheme:

Date of exercise	Name	Number of Ordinary Shares	Average exercise price per Ordinary Share (HK\$)
13 November 2003	Quek Leng Chan	600,000	20.33
13 November 2003	Kwek Leng Hai	600,000	20.33
13 November 2003	Kwek Leng San	60,000	20.33
13 November 2003	Sat Pal Khattar	60,000	20.33
13 November 2003	Tan Lim Heng	200,000	20.33
13 November 2003	James Eng, Jr.	200,000	20.33
28 November 2003	Harry Richard Wilkinson	60,000	20.33

During the Disclosure Period, the following Director has had the following dealings in the Company Securities:

Date of dealings	Name	Number of Ordinary Shares (Disposal on the Exchange)	Transaction price per Ordinary Share (HK\$)
08 December 2003	Harry Richard Wilkinson	10,000	54.25
09 December 2003	Harry Richard Wilkinson	55,000	54.25

On 26 March 2004, the Offeror acquired a direct interest in 71,172,395 Ordinary Shares of the Company at a price of HK\$58.00 per Ordinary Share pursuant to the Sale and Purchase Agreement.

Save as disclosed above, none of the Directors had dealt for value in the Company Securities or in the shares of the Offeror or any convertible securities, warrants, options and derivatives in respect of the shares of the Offeror during the Disclosure Period.

(b) Others

The following Offeror Party has entered into equity derivatives the underlying shares of which were Ordinary Shares during the Disclosure Period:

Reference date	Entered into by	Type of derivative	Number of underlying Ordinary Shares	Maturity Date	Reference Price per underlying Ordinary Share
5 January 2004	Guoinvest International Limited (<i>Note</i>)	Unlisted cash-settled derivative the underlying shares of which are Ordinary Shares	1,924,000	5 January 2007	HK\$54.63

Note: Guoinvest International Limited is an indirect subsidiary of Hong Leong.

Save as disclosed above, there has been no dealings in:

- (i) Company Securities by the Offeror Parties;
- (ii) Company Securities by the directors of the Offeror or the directors of Hong Leong;
- (iii) Company Securities by the Directors;

- (iv) shares of the Offeror or any convertible securities, warrants, options and derivatives in respect of the shares of the Offeror by the Directors;
- (v) Company Securities by Access Capital;
- (vi) Company Securities by any subsidiaries of the Company;
- (vii) Company Securities by a pension fund of the Company or a subsidiary of the Company;
- (viii) Company Securities by an adviser to the Company (as specified in class (2) of the definition of associate in the Takeovers Code, but excluding exempt principal traders, so that term is defined in the Takeovers Code); and
- (ix) shares of the Offeror or any convertible securities, warrants, options and derivatives in respect of the shares of the Offeror,

during the Disclosure Period.

5. CONSENTS

Each of Standard Chartered Bank, Access Capital, CB Richard Ellis Limited, CB Richard Ellis (Pte) Ltd and DTZ Debenham Tie Leung (SEA) Pte Ltd has given and has not withdrawn their written consent to the issue of this Document with the inclusion herein of their letters and/or references to its name in the form and context in which it appears.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Group) have been entered into by members of the Group within two years prior to the commencement of the Offer Period and are or may be material:

- (i) three conditional sale and purchase agreements dated 28 June 2002 between the Company and GuocoLand Limited (“GLL”) for the following transactions:
 - the disposal of the Company’s 55% interest in Guoco Properties Limited (“GPL”) together with all amounts owed by GPL and its subsidiaries to the Company at a total consideration of approximately US\$76 million;
 - the disposal of the Company’s 30% interest in Guoman Hotel & Resort Holdings Sdn Bhd (“GHRH”) together with all amounts owed by GHRH, its subsidiaries and associated companies to the Company at a consideration of approximately RM227,000; and

- the acquisition of approximately 9.6% interest in Overseas Union Enterprise Limited at a consideration of approximately S\$118.6 million; and
- (ii) a sale and purchase agreement dated 25 September 2003 entered into by the Company and Hong Leong with GLL for the disposal of a total of 277,222,957 shares in Hong Leong Properties Berhad to GLL at a total consideration of approximately RM158.0 million to be satisfied in full by the issue of 61,600,249 ordinary shares in GLL at an issue price of S\$1.18 per share.

Save as disclosed above, there is no contract entered into by the Group within two years prior to the commencement of the Offer Period which is not in the ordinary course of business carried on or intended to be carried on by the Group and which is or may be material.

7. LITIGATION AND CLAIMS

No member of the Group is at present engaged in any litigation or claim of material importance to the Group and no litigation or claim of material importance to the Group is known to the Directors to be pending or threatened by or against any member of the Group.

8. ARRANGEMENTS AFFECTING DIRECTORS

There is no benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Offer.

There is no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any Concert Party and any Director, recent Director, Shareholder or recent Shareholder which is conditional upon the outcome of the Offer or is otherwise connected with, or dependent upon, the Offer.

9. DIRECTORS' INTERESTS IN MATERIAL CONTRACTS

Save as disclosed herein, there is no material contract entered into by the Offeror in which any Director has a material personal interest.

10. SERVICE CONTRACTS

None of the Directors has entered into any service contract with any company in the Group or any of its associated companies which has more than 12 months to run and no service contract between any company in the Group or any of its associated companies and any of the Directors has been entered into or amended within six months prior to the commencement of the Offer Period.

11. FACILITIES AGREEMENT

Pursuant to the Facilities Agreement, facilities of up to HK\$11,140,000,000 in aggregate will be available for drawdown at certain times in the period from 26 March 2004 to 26 October 2004 and will be used by the Offeror to finance the acquisition of Offer Shares.

The Facilities Agreement provides for part repayment of the facilities on the day falling 364 days after the date of the first utilisation of the facilities and repayment of the remaining facilities on the day falling 18 months after the date of the first utilisation of the facilities.

The Facilities Agreement contains a number of covenants, restrictions, representations, warranties and events of default. While the Company is not a party to the Facilities Agreement, the Agreement contains a covenant by the Offeror to ensure that the Company does not reduce the net cash (or equivalents) that the Company holds below certain specified levels.

12. QUALIFICATIONS

The following are the qualifications of the experts who have given an opinion or advice which are contained or referred to in this Document:

Name	Qualification
Standard Chartered Bank	a registered institution registered for types 1, 4, 6 and 9 regulated activities under the SFO
Access Capital	a deemed licensed corporation licensed to carry out types 1, 4, 6 and 9 regulated activities under the SFO
CB Richard Ellis Limited	a professional property valuer
CB Richard Ellis (Pte) Ltd	a professional property valuer
DTZ Debenham Tie Leung (SEA) Pte Ltd	a professional property valuer

13. MISCELLANEOUS

- (a) The secretary of the Company is Stella Lo Sze Man.
- (b) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and the principal place of business of the Company is at 50th Floor, The Center, 99 Queen's Road Central, Hong Kong.
- (c) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited of Rooms 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) As at the Latest Practicable Date, there were no persons having any arrangement of the kind referred to in the third paragraph of note 8 to Rule 22 of the Takeovers Code with the Offeror or with any other person who acts in concert with it.
- (e) As at the Latest Practicable Date, it was not intended that any benefit would be given to any Director as compensation for loss of office or otherwise in connection with the Offer.

- (f) The registered office of Hong Leong is at Level 10, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur, Malaysia.
- (g) Hong Leong is a company which was incorporated in Malaysia on 6 May 1968 with limited liability. The directors of Hong Leong are:
 - Quek Leng Chan
 - Kwek Leng Hai
 - Kwek Leng San
 - Kwek Leng Beng
 - Kwek Leng Peck
 - Dr Poh Soon Sim
- (h) The registered office of the Offeror is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (i) The Offeror is a company which was incorporated in Bermuda on 16 September 1993 with limited liability. The directors of the Offeror are:
 - Quek Leng Chan
 - Kwek Leng Hai
 - Kwek Leng San
 - Kwek Leng Beng
- (j) The registered office of Standard Chartered Bank is Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong.
- (k) It is not proposed that any Ordinary Shares acquired pursuant to the Offer will be transferred to any other party by the Offeror unless less than 25% of the issued Ordinary Shares are in public hands.
- (l) Settlement of the consideration to which any Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against the Shareholder.
- (m) Save as disclosed in Appendix II to this Document, as at the Latest Practicable Date, the Group had no bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities.

14. DOCUMENTS AVAILABLE FOR INSPECTION

- (a) Copies of the following documents will be available for inspection at the offices of the Company at 50th Floor, The Center, 99 Queen's Road Central, Hong Kong during normal business hours up to and including the Closing Date:
 - (i) the memorandum of association and bye-laws of the Company;

- (ii) the annual reports of the Company for the two years ended 30 June 2003 and the interim report of the Company for the six months ended 31 December 2003;
 - (iii) the letter from the Board, the text of which is set out on pages 6 to 10 of this Document;
 - (iv) the letter from the Independent Board Committee, the text of which is set out on pages 18 and 19 of this Document;
 - (v) the letter from Access Capital to the Independent Board Committee, the text of which is set out on pages 20 to 33 of this Document;
 - (vi) the letters from CB Richard Ellis Limited, CB Richard Ellis (Pte) Ltd and DTZ Debenham Tie Leung (SEA) Pte Ltd, the texts of which is set out on pages 122 to 131 of this Document;
 - (vii) the letters of consent from each of Access Capital, CB Richard Ellis Limited, CB Richard Ellis (Pte) Ltd and DTZ Debenham Tie Leung (SEA) Pte Ltd to the issue of this Document; and
 - (viii) the material contracts referred to in Section 6 of this Appendix.
- (b) Copies of the following documents will be available for inspection at the offices of Norton Rose, 38/F Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the Closing Date:
- (i) the memorandum of association and bye-laws of the Offeror;
 - (ii) the annual reports of the Offeror for the two years ended 30 June 2003;
 - (iii) the advice letter from Standard Chartered Bank, the text of which is set out on pages 11 to 17 of this Document;
 - (iv) letter of consent from Standard Chartered Bank;
 - (v) the Facilities Agreement; and
 - (vi) the derivatives contracts referred to in Section 3 of this Appendix.