



# Guoco Group Limited

## 國浩集團有限公司

(Incorporated in Bermuda with limited liability)

### Announcement of 2002/2003 Final Results

#### RESULTS

The Board of Directors of Guoco Group Limited (“the Company”) is pleased to announce its audited consolidated results for the financial year ended 30 June 2003 together with comparative figures for the previous year as follows:

#### Consolidated Income Statement

	Note	2003 HK\$'000	2002 HK\$'000
Turnover	2 & 3	2,337,341	2,086,380
Cost of property sales		(1,400,373)	(880,578)
Other attributable costs		<u>(142,696)</u>	<u>(219,201)</u>
		794,272	986,601
Other revenue		20,782	15,553
Other net income	4	881,798	1,111,626
Administrative and other operating expenses		<u>(197,913)</u>	<u>(318,953)</u>
Operating profit before finance cost		1,498,939	1,794,827
Finance cost		<u>(45,720)</u>	<u>(163,736)</u>
Operating profit	2	1,453,219	1,631,091
Profit on disposal of subsidiaries		140,465	—
Profit on disposal of an associate		—	105,322
Impairment loss write back / (provided) on properties		89,279	(540,276)
Deficit on revaluation of investment properties		<u>(581,193)</u>	<u>(11,325)</u>
Provision write back on amount due from a jointly controlled entity		14,621	—
Net loss on disposal of investment properties		<u>—</u>	<u>(104,815)</u>
Operating profit on ordinary activities		1,116,391	1,079,997
Share of profits less losses of associates		313,472	388,302
Share of profits less losses of jointly controlled entities		<u>187</u>	<u>(1,802)</u>
Profit from ordinary activities before taxation	5	1,430,050	1,466,497
Taxation	6	<u>(225,464)</u>	<u>(262,233)</u>
Profit after taxation		1,204,586	1,204,264
Minority interests		<u>20,446</u>	<u>376,431</u>
Profit attributable to shareholders	2	1,225,032	1,580,695

	<i>Note</i>	<b>2003</b> <b>HK\$'000</b>	2002 <i>HK\$'000</i>
Appropriations:			
Final dividend paid	7	<b>(227,431)</b>	(194,449)
Interim dividend paid	7	<b>(130,885)</b>	(129,633)
Retained profit for the year		<b><u>866,716</u></b>	<u>1,256,613</u>
Retained in:			
The Company and its subsidiaries		<b>673,427</b>	1,033,559
Associates		<b>193,102</b>	224,856
Jointly controlled entities		<b>187</b>	(1,802)
		<b><u>866,716</u></b>	<u>1,256,613</u>
Earnings per share			
Basic	8	<b>HK\$ <u>3.76</u></b>	<i>HK\$ <u>4.31</u></i>
Diluted	8	<b>HK\$ <u>3.74</u></b>	<i>HK\$ <u>4.20</u></i>
Proposed final dividend			
	7	<b>HK\$'000 <u>229,048</u></b>	<i>HK\$'000 <u>226,857</u></i>

## 1. Significant accounting policies

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2002, with the exception of changes in accounting policies to comply with revised Statements of Standard Accounting Practice ("SSAPs") as set out below.

### a. Translation of financial statements of foreign enterprises

In prior years, the results of foreign enterprises were translated 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 been restated.

### b. 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 HK\$348.6 million (2002: HK\$293.3 million), other assets decreased by HK\$4.7 million (2002: HK\$4.7 million), and other payables and provisions reduced by HK\$353.2 million (2002: HK\$298 million). The new accounting policy has been adopted retrospectively and the comparative information has been restated to conform with the current year's presentation.

## 2. Segment information

### Business Segments

	Treasury, fund and investment management <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Securities, commodities & brokerage <i>HK\$'000</i>	Insurance <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue and expenses</b>							
<b>For the year ended 30</b>							
<b>June 2003</b>							
Turnover	563,959	1,483,125	140,715	40,300	109,242	—	2,337,341
Inter-segment turnover	<u>72,006</u>	<u>—</u>	<u>6,441</u>	<u>1,131</u>	<u>1,279</u>	<u>(80,857)</u>	<u>—</u>
	<u>635,965</u>	<u>1,483,125</u>	<u>147,156</u>	<u>41,431</u>	<u>110,521</u>	<u>(80,857)</u>	<u>2,337,341</u>
Contribution from operations	1,325,956	98,832	94,098	(33,726)	15,409		1,500,569
Unallocated income							60,045
Unallocated expenses							<u>(61,675)</u>
Operating profit before finance cost							1,498,939
Finance cost							<u>(45,720)</u>
Operating profit							1,453,219
Profit on disposal of subsidiaries							140,465
Impairment loss write back/(provided) on properties	(5,123)	101,802	—	—	(7,400)	—	89,279
Deficit on revaluation of investment properties	—	—	(581,193)	—	—	—	(581,193)
Provision write back on amount due from a jointly controlled entity	—	14,621	—	—	—	—	<u>14,621</u>
Operating profit on ordinary activities							1,116,391
Share of profits less losses of associates	292,612	(2,074)	22,934	—	—	—	313,472
Share of profits less losses of jointly controlled entities	187	—	—	—	—	—	<u>187</u>
Profit from ordinary activities before taxation							1,430,050
Taxation							<u>(225,464)</u>
Profit after taxation							1,204,586
Minority interests							<u>20,446</u>
Profit attributable to shareholders							<u>1,225,032</u>

	Treasury, fund and investment management HK\$'000	Property development HK\$'000	Property investment HK\$'000	Securities, commodities & brokerage HK\$'000	Insurance HK\$'000	Inter-segment elimination HK\$'000	Total HK\$'000
<b>Revenue and expenses</b>							
<b>For the year ended 30</b>							
<b>June 2002</b>							
Turnover	718,035	982,975	149,150	54,506	181,714	—	2,086,380
Inter-segment turnover	<u>98,583</u>	<u>—</u>	<u>6,380</u>	<u>14,937</u>	<u>3,214</u>	<u>(123,114)</u>	<u>—</u>
	<u>816,618</u>	<u>982,975</u>	<u>155,530</u>	<u>69,443</u>	<u>184,928</u>	<u>(123,114)</u>	<u>2,086,380</u>
Contribution from operations	1,657,174	89,059	101,430	6,755	(1,006)		1,853,412
Unallocated income							2,434
Unallocated expenses							<u>(61,019)</u>
Operating profit before finance cost							1,794,827
Finance cost							<u>(163,736)</u>
Operating profit							1,631,091
Profit on disposal of an associate							105,322
Impairment loss on properties	(38,422)	(497,252)	—	—	(4,602)	—	(540,276)
Deficit on revaluation of investment properties	—	—	(11,325)	—	—	—	(11,325)
Net loss on disposal of investment properties							<u>(104,815)</u>
Operating profit on ordinary activities							1,079,997
Share of profits less losses of associates	247,123	36,426	104,753	—	—	—	388,302
Share of profits less losses of jointly controlled entities	(1,802)	—	—	—	—	—	<u>(1,802)</u>
Profit from ordinary activities before taxation							1,466,497
Taxation							<u>(262,233)</u>
Profit after taxation							1,204,264
Minority interests							<u>376,431</u>
Profit attributable to shareholders							<u>1,580,695</u>

## Geographical Segments

	Turnover		Operating profit/(loss)	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Hong Kong	684,228	855,127	1,044,729	1,622,925
Singapore	1,565,775	1,033,721	400,879	(117,193)
Asia (excluding Hong Kong and Singapore)	78,261	189,397	7,346	117,232
Others	9,077	8,135	265	8,127
	<u>2,337,341</u>	<u>2,086,380</u>	<u>1,453,219</u>	<u>1,631,091</u>
	Segment assets		Capital expenditure	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i> (restated)	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Hong Kong	25,222,023	24,706,511	11,829	25,630
Singapore	6,295,201	8,069,847	2,987	2,122
Asia (excluding Hong Kong and Singapore)	3,187,534	2,277,243	101	1,201
Others	1,313,854	1,713,334	—	—
	<u>36,018,612</u>	<u>36,766,935</u>	<u>14,917</u>	<u>28,953</u>

### 3. Turnover

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Income from sale of properties	1,483,125	982,975
Interest income	372,565	469,287
Dividend income from unlisted securities	87,532	117,038
Dividend income from listed securities	65,417	63,795
Gross insurance premiums	108,377	179,866
Rental income from properties	104,010	128,106
Security commission and brokerage	33,157	42,166
Income from sale of investments in securities	23,636	31,590
Other income	59,522	71,557
	<u>2,337,341</u>	<u>2,086,380</u>

4. **Other net income**

	<b>2003</b>	2002
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Net realised gains on other investments	<b>531,823</b>	836,133
Net exchange gains	<b>283,340</b>	349,631
Gains on foreign exchange contracts	<b>17,421</b>	17,308
Net profits from dealing investments	<b>—</b>	1,607
Net profits on disposal of fixed assets	<b>733</b>	1,123
Net unrealised losses on other investments	<b>(28,010)</b>	(110,595)
Others	<b><u>76,491</u></b>	<u>16,419</u>
	<b><u>881,798</u></b>	<u>1,111,626</u>

5. **Profit from ordinary activities before taxation**

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

	<b>2003</b>	2002
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>after charging:</b>		
Staff costs (including retirement scheme contributions of HK\$6,940,000 (2002: HK\$7,184,000))	<b>160,569</b>	152,675
Depreciation	<b>22,014</b>	19,508
Operating lease charges		
— properties	<b>12,812</b>	17,113
— others	<b>62</b>	125
Amortisation of positive goodwill included in share of profits less losses of associates	<b>11,182</b>	3,471
Auditors' remuneration	<b>2,168</b>	1,981
Impairment loss on properties	<b>—</b>	540,276
Donations	<b><u>632</u></b>	<u>530</u>
<b>And crediting:</b>		
Amortisation of negative goodwill	<b>23,605</b>	632
Impairment loss write back on properties	<b><u>89,279</u></b>	<u>—</u>
Gross rental income from investment properties	<b>104,010</b>	128,106
Less: direct outgoings	<b><u>(9,615)</u></b>	<u>(13,642)</u>
Net rental income	<b><u>94,395</u></b>	<u>114,464</u>
Share of profits less losses of associates:		
Listed	<b>325,091</b>	361,603
Unlisted	<b><u>(11,619)</u></b>	<u>26,699</u>
	<b><u>313,472</u></b>	<u>388,302</u>

## 6. Taxation

	<b>2003</b> <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Hong Kong Profits Tax	<b>58,766</b>	20,420
Overseas taxation	<b>77,450</b>	32,877
Deferred taxation	<b>(31,122)</b>	<u>45,489</u>
	<b>105,094</b>	98,786
Share of associates' taxation	<b>120,370</b>	<u>163,447</u>
	<b><u>225,464</u></b>	<u>262,233</u>

Provision for Hong Kong Profits Tax is based on the estimated assessable profits for the year at the rate of 17.5% (2002: 16%). Taxation for overseas subsidiaries is charged at the appropriate rates of taxation ruling in the countries in which they operate.

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 treatment of income and expenditure, which are expected with reasonable probability to crystallize in the foreseeable future.

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

## 7. Dividends

	<b>2003</b> <i>HK\$'000</i>	2002 <i>HK\$'000</i>
2002: Final dividend paid of HK\$0.70 per share (2001: HK\$0.60 per share)	<b>227,431</b>	194,449
2003: Interim dividend paid of HK\$0.40 per share (2002: HK\$0.40 per share)	<b>130,885</b>	<u>129,633</u>
	<b><u>358,316</u></b>	<u>324,082</u>
2003: Proposed final dividend of HK\$0.70 per share (2002: HK\$0.70 per share)	<b><u>229,048</u></b>	<u>226,857</u>

The proposed final dividend for the year ended 30 June 2003 of HK\$229,048,000 (2002: HK\$226,857,000) is calculated based on 327,211,373 ordinary shares (2002: 324,081,373 ordinary shares) in issue as at 30 June 2003.

## 8. Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$1,225,032,000 (2002: HK\$1,580,695,000) and on 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 HK\$1,224,879,000 (2002: HK\$1,558,030,000) 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

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

9. **Hong Kong dollar amounts**

The financial statements of the Company are maintained in United States dollars. The accounting figures shown above have been translated from United States dollars into Hong Kong dollars equivalents at the rates ruling at the respective financial year ends for presentation purposes only (2003: US\$1 = HK\$7.7980, 2002: US\$1 = HK\$7.7999).

**DIVIDENDS**

The Directors are recommending to the shareholders for approval at the forthcoming annual general meeting a final dividend of HK\$0.70 per share, amounting to HK\$229 million payable for the financial year ended 30 June 2003. This, together with the interim dividend of HK\$0.40 per share in April 2003, will amount to a total dividend of HK\$1.10 per share for the full year, totalling HK\$360 million (2001/2002: HK\$1.10 per share, totalling HK\$357 million). Subject to shareholders' approval, the final dividend will be payable on 21 November 2003 to the shareholders whose names appear on the register of members on 20 November 2003.

**FINANCIAL RESULTS**

The consolidated profit attributable to shareholders, after taxation and minority interests amounted to HK\$1,225 million (2001/2002: HK\$1,581 million). Basic earnings per share were HK\$3.76 per share. Consolidated shareholders' funds as at 30 June 2003 were HK\$28.9 billion.



Overall turnover increased by HK\$251 million or 12%, mainly attributable to the increase of 51% or HK\$500 million in income from sale of properties. Turnover from the treasury, fund and investment management sector and the insurance sector declined by 21% and 40% respectively.

Treasury, fund and investment management sector accounted for approximately 88% of the contribution from operations.

## **REVIEW OF OPERATIONS**

### **Treasury, fund and investment management**

For most of the year under review, the US economy continued to be affected by weak corporate spending, slowdown in private consumption together with the Iraqi conflict. Business sentiment was further dampened by geopolitical risks, terrorism as well as the outbreak of SARS in the region. As a result, we have decided not to undertake any major investment and have continued our cash management policy to preserve our strategic fund pool during the year. With the benefit of hindsight, the year-to-year decline in most of the major market indices appeared to support the investment stance maintained by the Group during the year. Meanwhile, the Group had taken the opportunity to expand its investment infrastructure to manage its treasury operations and investment funds.

Despite recent emerging signs of recovery in the US after the end of the Iraqi conflict, the improved confidence had yet to be translated into actual corporate spending. Business investments still remained lukewarm. Even the high-growth Chinese economy inevitably faced a SARS-induced slowdown which has subsequently recovered and resumed its steady economic growth. In Hong Kong, Closer Economic Partnership Arrangement (CEPA) with China and other initiatives undertaken by the SAR Government will help to alleviate deflation and unemployment problems that are still persisting but are now expected to be resolved over time. In fact, Hong Kong's future role as the economic hub for the Pearl River Delta is now clearly evolving.

The Investment Committee considered that the congruence between market forces and fundamentals would ultimately take place. However, it also recognizes that there are under-valued companies in any market environment. Consequently the Investment Committee directed the management to perform detailed analyses to identify markets with good potential value and to identify solid companies with good underlying intrinsic value.

The Group is well positioned with a strong balance sheet capable of supporting new investment initiatives. Going forward, we believe that more favourable opportunities will arise as a consequence of changes in global political and economic development. The Group will continue to seek new investment opportunities in order to build the foundation for sustainable growth and to continue its efforts to maximize profit and build prime value through enhancement of its existing assets and new investments.

## **Property division**

*GuocoLand Limited (“GLL”) - 61.5% owned by the Group*

For the financial year under review, GLL reported a net profit of S\$94.2 million compared with a net loss of S\$179.9 million in the previous corresponding year. GLL’s net profit for the financial year was mainly due to:-

- profit of S\$16 million on the residential development projects in Singapore;
- profit of S\$25 million arising from the disposal of its interest in Century Square Holdings Pte Ltd;
- net profit of S\$25 million arising from the disposal of GLL’s interest in a development site at Suzhou; and
- unrealised mark-to-market gains of S\$22 million on GLL’s financial assets.

GLL also made a net provision for foreseeable losses of S\$15 million on its residential development projects in Singapore.

GLL’s associated companies contributed a profit of S\$24.4 million. The profit contribution for the current financial year was mainly from its 34.54% associate, Benchmark Group PLC, which is listed on the London Stock Exchange and from its 40% associate, Razgrad Pte Ltd, which owns The Ladyhill, a residential development project in Singapore.

During the financial year, GLL had been actively divesting most of its non-core and non-strategic assets, including its 97.7% interests in its insurance subsidiary and its 9.6% interests in Overseas Union Enterprise Limited.

Guoco Properties Limited (“GPL”) is GLL’s property development, investment and management flagship in China. The property development projects it currently undertaken are in the key gateway cities of Shanghai and Beijing. Central Park, a prestigious residential project located parallel to Huai Hai Middle Road, Shanghai, is expected to be launched for sale around early 2004. In May 2003, GPL entered into an agreement to form a joint venture for the development of a land parcel at the Fifth Mile of Zhenwumiao in the Xicheng district in Beijing. The area of the land parcel is approximately 13,000 sq. m. while the gross saleable area is estimated to be approximately 47,000 sq. m. It is primarily for residential development and can accommodate a condominium of up to 15 storeys with clubhouse and carpark facilities.

## **Financial Industry Group**

*Hong Leong Credit Berhad (“HLCB”) - 25.3% owned by the Group*

The HLCB Group has achieved a modest growth of 2.4% in profit before tax to reach RM802.7 million compared with RM783.8 million in the last financial year.

The banking and finance division continued to contribute significantly to the HLCB Group's earnings and reported a profit before taxation of RM801.9 million, a 12.9% increase as compared with RM710.1 million in last financial year. This increase was mainly due to the HLCB Group's ongoing control on operating costs and prior year adjustment relating to change in accounting policies for dealers' handling fees and income taxes.

The insurance division registered a lower profit before tax of RM82.5 million compared with RM98.5 million in the last financial year. This reduction was primarily due to lower investment income as a result of weak market sentiment in the KLSE for most part of the year.

The stockbroking division recorded a higher loss before taxation of RM29.7 million compared with a profit before taxation of RM3.8 million in the last financial year. This was principally due to the significant write-offs of property and equipment as part of its cost rationalisation exercise and provisions made for doubtful debts.

The HLCB Group's share of profit before tax in the property division amounted to RM8.1 million compared with RM17.5 million in the last financial year.

#### *Other financial services subsidiaries in Hong Kong*

Our financial services subsidiaries comprising Dao Heng Securities Limited, Dao Heng Fund Management Limited and Dao Heng Insurance Limited, continued to face a challenging operating environment.

The overall performance of the Hong Kong stock market has been clouded by the Iraqi conflict, the outbreak of SARS and political issues in Hong Kong. The generally poor investment sentiment, worse-than-expected corporate earnings and the deteriorating unemployment rate had adversely affected the turnover of the stock market. Furthermore, the deregulation of brokerage commission rate with effect from 1 April 2003 has intensified market competition.

Decreasing subscription and increasing redemption from clients, coupled with the lower net asset value due to market performance contributed to the reduction of asset size for most of the unit trust funds in the market. Mandatory Provident Fund is the only growth area, due to the regular monthly contribution inflow.

The financial services companies had taken steps to reposition their business dynamics to cope with the structural change of their respective markets and adopted strategic moves to shift in focus to solidify their trusted positions with their niche client groups. Various exigent rationalisation measures including right-sizing initiatives and enhancement of information technology systems had contributed to significant cost saving and improvement in productivity. Extensive effort has also been dedicated to develop new distribution channels for strategic sectors with opportunities and potentials. These companies have therefore positioned themselves to work towards improvement or a return to profitability on the expectation of better market conditions ahead.

## FINANCIAL COMMENTARY

### Borrowings

By 30 June 2003, the Group had reduced its total borrowings by 25% to HK\$4,673 million from HK\$6,195 million as at 30 June 2002. Unsecured borrowing comprises 38% of total borrowings. All borrowings belonged to GLL and primarily represented GLL's property project loans.

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

	<b>Bank loans</b> <i>HK\$'000</i>	<b>Other borrowings</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
On demand or within 1 year	<u>2,503,111</u>	<u>486,751</u>	<u>2,989,862</u>
After 1 year but within 2 years	424,523	353,390	777,913
After 2 years but within 5 years	<u>782,638</u>	<u>122,842</u>	<u>905,480</u>
	<u>1,207,161</u>	<u>476,232</u>	<u>1,683,393</u>
	<u>3,710,272</u>	<u>962,983</u>	<u>4,673,255</u>

The loans are secured by the following:

- a. legal mortgages on investment properties with a book value of HK\$577 million;
- b. legal mortgages on development properties with a book value of HK\$3,725 million; and
- c. certain equity investments with total carrying value of HK\$594 million.

As at 30 June 2003, the Group has net cash balance of HK\$18,198 million after netting off the total borrowings of HK\$4,673 million.

### 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 HK\$313 million (2002: HK\$324 million) and HK\$165 million (2002: HK\$165 million) respectively granted to group companies and certain investee companies of the Group.

### Capital and finance

The Group's consolidated shareholders' funds as at 30 June 2003 after adjusting for the major items set out below, amounted to HK\$28,865 million. The major adjustments are as follows:

- a. increase in share capital and share premium of HK\$64 million upon the exercise of share options during the year; and

b. net exchange difference of HK\$34 million.

## **HUMAN RESOURCES AND TRAINING**

The Group, including its subsidiaries in Hong Kong and overseas, employed approximately 330 employees as at 30 June 2003, about 23% decrease from the last financial year as a result of the right-sizing and streamlining initiatives. The Group continued to follow a measured approach towards achieving an optimal and efficient size of its workforce and is committed to provide its staff with ongoing development programmes to enhance productivity and work quality.

The remuneration policy for the Group's employees is reviewed by management on a regular basis. Remuneration packages are structured to take into account the level and composition of pay and general market conditions in the respective countries and businesses in which the Group operates. Bonus and other merit payments are linked to the financial performance of the Group and individual achievement as incentives to optimise performance. Share options may also be granted in accordance with the share option scheme or plan adopted by the Company to eligible employees to reward their contribution and foster loyalty towards the Group.

## **OUTLOOK**

China's economic importance and status have gained global recognition following its successful accession to World Trade Organisation. It will be an engine of global growth and a contributor to global prosperity. With the CEPA, Hong Kong can play a more significant role to accelerate economic development together with China. While general market conditions are becoming more encouraging, caution still prevails as global economies remain challenging. We believe they will continue to undergo fundamental corrections. The Group intends to capitalize on this window of opportunity to seek a variety of value investment options that will sustain the Group's growth and ensure the creation of superior shareholder value.

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

During the year, the Company did not redeem, and neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities.

## **BOARD AUDIT COMMITTEE**

A Board Audit Committee has been established on 9 October 1998 with written terms of reference. The Board Audit Committee comprises Messrs Harry Richard Wilkinson (Chairman), Sat Pal Khattar and Kwek Leng Hai. Messrs Harry Richard Wilkinson and Sat Pal Khattar are independent non-executive directors. The Board Audit Committee oversees the financial reporting process and the adequacy and effectiveness of the Company's system of internal controls.

The Board Audit Committee meets with the Company's external auditors and the internal auditor, and reviews the audit plans, the internal audit programme, the results of their

examination and findings on their evaluation of the system of internal controls. It also reviews interests in contracts and connected transactions. The Board Audit Committee reviews the financial statements of the Company and the consolidated financial statements of the Group and the auditors' report thereon and submits its views to the Board of Directors. Three Board Audit Committee meetings were held during the year.

#### **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

The Company has complied throughout the year with the Code of Best Practice adopted by the Company based on the guidelines set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the independent non-executive directors are not appointed for a specific term but their terms of office are subject to retirement by rotation and re-election at the annual general meetings in accordance with the Company's Bye-laws.

#### **PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**

All the financial and other related information of the Company required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited will be published on the Exchange's website. This announcement can also be accessed on the Company's website: <http://www.guoco.com>.

#### **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from 17 November 2003 to 20 November 2003, both days inclusive, during which period no transfer of shares can be effected.

In order to qualify for the above dividend, all share transfers accompanied by the requisite share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 14 November, 2003.

By Order of the Board  
**Stella S.M. Lo**  
*Company Secretary*

Hong Kong, 17 October 2003

## **Notice of Annual General Meeting**

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of Guoco Group Limited (“the Company”) will be held at Room 1505, 15th Floor, The Center, 99 Queen’s Road Central, Hong Kong on Thursday, 20 November 2003 at 11:30 a.m. for the following purposes:-

1. To receive and consider the audited Statement of Accounts together with the Reports of the Directors and Auditors thereon for the year ended 30 June 2003.
2. To declare a final dividend.
3. To fix the fees of the Directors for the year ended 30 June 2003 and to re-elect retiring Directors.
4. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

By Order of the Board  
**Stella S.M. Lo**  
*Company Secretary*

Hong Kong, 17 October 2003

*Notes:*

1. A shareholder entitled to attend and vote at the above Meeting may appoint one or more proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company.
2. In order to be valid, the form of proxy and the power of attorney (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the Company’s principal office at 50th Floor, The Center, 99 Queen’s Road Central, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or any adjournment thereof.
3. The Register of Members of the Company will be closed from 17 November 2003 to 20 November 2003, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all share transfers accompanied by the requisite share certificates must be lodged with the Company’s Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:00 p.m. on 14 November, 2003.