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Please visit our website at <http://www.guoco.com> and click into **Financial Information** and **Annual and Interim Reports** to view this annual report.

### BOARD OF DIRECTORS

Quek Leng Chan – Executive Chairman

Kwek Leng Hai – President, CEO

Sat Pal Khattar

Kwek Leng San

Peter Anthony Wakefield

Tan Lim Heng

James Eng, Jr.

Harry Richard Wilkinson

Jamal Al-Babtain

Tung Hsi Hui, Frank

### COMPANY SECRETARY

Stella S.M. Lo

### BRANCH SHARE REGISTRARS

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183 Queen's Road East

Hong Kong

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Hong Kong

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Website : <http://www.guoco.com>

### INTERNET WEBSITES OF OTHER SUBSIDIARIES AND ASSOCIATE

GuocoLand Limited

(<http://www.guocoland.com.sg>)

Hong Leong Bank Berhad

(<http://www.hlb.com.my>)

Dao Heng Securities Limited

(<http://www.dhsec.com>)

Dao Heng Fund Management Limited

(<http://www.daohengfund.com>)

Dao Heng Insurance Co., Limited

(<http://www.daohenginsurance.com>)

### FINANCIAL CALENDAR

Annual results announcement	17 October 2003
Closure of Register of Members	17 November 2003 to 20 November 2003
Annual General Meeting	20 November 2003
Final dividend of HK\$0.70 per share payable on	21 November 2003
Interim results announcement	21 March 2003
Closure of Register of Members	8 April 2003 to 11 April 2003
Interim dividend of HK\$0.40 per share paid on	14 April 2003

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Quek Leng Chan**, aged 60, is the Executive Chairman of Guoco Group Limited (“Guoco”). He is also the Executive Chairman of the Hong Leong Group Malaysia. Mr Quek is a Barrister-at-Law from Middle Temple, United Kingdom and has extensive business experience in various business sectors including financial services, manufacturing and real estate. Mr Quek is a director of Guoline Overseas Limited (“GOL”), a substantial shareholder of Guoco. He is a brother of Messrs Kwek Leng Hai and Kwek Leng San.

**Kwek Leng Hai**, aged 50, is the President and CEO of Guoco. He is also a director of group’s key related companies including GuocoLand Limited (“GLL”, formerly known as “First Capital Corporation Ltd”) and Hong Leong Bank Berhad. Mr Kwek is a qualified chartered accountant of the Institute of Chartered Accountants in England and Wales. Mr Kwek is also a director of GOL. He is a brother of Messrs Quek Leng Chan and Kwek Leng San.

**Sat Pal Khattar**, aged 60, is an Independent Non-executive Director of Guoco. Mr Khattar obtained a LLM degree and a LLB (Hons) degree from the University of Singapore. He is a consultant of Khattar Wong & Partners in Singapore. He is also the Chairman of GLL, a subsidiary of Guoco in Singapore and a non-executive director of Benchmark Group PLC, an associate of GLL in the United Kingdom. He also holds directorships at other public and private companies in Singapore and elsewhere.

**Kwek Leng San**, aged 48, is a Non-executive Director of Guoco. He is the President and CEO of Hong Leong Industries Berhad, a member of the Hong Leong Group Malaysia. He holds a Bachelor of Science degree in engineering and a Master of Science degree in finance. Mr Kwek is also a director of GOL. He is a brother of Messrs Quek Leng Chan and Kwek Leng Hai.

**Peter Anthony Wakefield**, aged 59, is a Non-executive Director of Guoco. Since 1 December 1995, he has been the Executive Vice President at Kuwait Investment Office (“KIO”), where he has responsibility for its Equities Group and is involved in global asset allocation and special projects. Prior to joining KIO, he had 28 years experience in investment management with four major UK institutions, holding executive directorships at FP Asset Management Group, GT Management PLC, NM Rothschild Asset Management Ltd and Clerical Medical Investment Group. He has post-graduate qualifications with The Institute of Chartered Secretaries & Administrators (ACIS), The Chartered Insurance Institute (ACII) and The Institute of Investment Management and Research (AIIMR).

**Tan Lim Heng**, aged 55, is an Executive Director of Guoco, the Managing Director of Dao Heng Securities Limited and Dao Heng Commodities Limited. He also serves as a non-executive director of Shanghai Land Holdings Limited and Lam Soon (Hong Kong) Limited. Mr Tan holds a Bachelor of Science first class honours degree in engineering from University of Surrey and a Master of Science degree in management from Massachusetts Institute of Technology. Prior to joining Guoco as a senior management executive in 1990, he had served in the Singapore Civil Service as a Colombo Plan Scholar 1975-1978 before coming to work in Hong Kong with a financial services company and a major U.S. bank. He had also previously worked in Geneva in 1974 with the United Nations Conference on Trade and Development. Mr Tan has extensive experience in property investment, financial and investment management services.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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**James Eng, Jr.**, aged 61, is an Executive Director of Guoco. He joined Guoco Management Company Limited in April 1994 as an executive director, responsible for all Group staff support functions for Guoco. Prior to his joining Guoco, he was with Hiram Walker, a Division of Allied-Lyons. Postings included New York, Miami, London, Hong Kong and Windsor Canada. Assignments included Senior Vice President, finance and administration for U.S.A., Senior Vice President for international strategic planning which included acquisitions, mergers and divestitures. During his time with Brout, Issacs & Co., Certified Public Accountants in New York City, he was responsible for the Management Services Division which provided mergers and acquisitions, feasibility studies, restructurings, reengineering and automation services to clients. As a management consultant in New York for Computer Methods Corporation, he served such diverse clients as AT&T, Standard & Poor's, Commodity Research Bureau, credit card companies, distribution companies, and various manufacturers. Prior to that, he worked for Home Insurance Co. in New York.

**Harry Richard Wilkinson**, aged 60, is an Independent Non-executive Director of Guoco. He was previously a director and Chief Financial Officer of Orient Overseas (International) Limited. Prior to joining Orient Overseas (International) Limited, he was previously the Managing Director and Regional Manager of Chemical Bank for Hong Kong, China and Taiwan and has considerable experience in shipping and banking. His career began at Manufacturers Hanover Trust Company in New York in 1975, where he held various positions. Manufacturers Hanover Trust Company was the predecessor of Chemical Bank, which was absorbed by merger in 1992. Mr Wilkinson was a US Navy Officer for five years and was awarded three Military awards. He holds three master degrees from Horace H Rackham School of Graduate Studies, The University of Michigan at Ann Arbor, MI. He was previously on the Banking Advisory Committee to the Government and is currently on Auburn University's College of Business Advisory Council.

**Jamal Al-Babtain**, aged 41, is a Non-executive Director of Guoco. He is also a director of Grupo Torras SA, Madrid and Vice President of Kuwait Investment Office, London. He holds a Bachelor of Arts degree in business administration.

**Tung Hsi Hui, Frank**, aged 83, is an Independent Non-executive Director of Guoco. He obtained a Bachelor of Arts degree from St. John's University in Shanghai, China. He has 53 years of banking experience in Hong Kong and was previously a director of Dao Heng Bank Group Limited, Dao Heng Bank Limited and Overseas Trust Bank, Limited.

The past year was not an easy period for business, particularly in the environment of Hong Kong. The low interest rate scenario and the numerous events occurring in the world had its effect on the Group moving forward. We were not able to relate the performance of the stock markets to the economic and geo-political fundamentals in major countries. As such, we were quite reluctant to take on new investments. We thought the best way in this kind of situation would be to maintain liquidity, keeping the powder dry, so to speak. Hence, we ended up the year basically intact with the funds in the Group, except for a small sum in portfolio investments.

Importantly for our Group, Hong Kong has finally begun to realize its vision of becoming the regional hub for an economically integrated Pearl River Delta. With China's legal and business framework becoming increasingly regulated and conforming to international standards following its entry to World Trade Organisation, the Mainland will provide a more favourable business environment. Hong Kong's political infrastructure is also maturing. China's introduction of Closer Economic Partnership Arrangement (CEPA) has demonstrated China's very tangible and constructive support for the future growth of Hong Kong. CEPA is broadly recognized as insuring Hong Kong's transition to an even more significant and sustainable role as China continues to evolve as a more influential global contributor.

Anticipating this improved environment, the Group has undertaken key strategic initiatives to streamline further its set-up and skills to manage the Group. These actions, coupled with the preservation of its capital during challenging global conditions, have well positioned the Group to evaluate investment proposals, manage risk and create shareholders' value.

### FINANCIAL RESULTS

The consolidated profit attributable to shareholders, after taxation and minority interests amounted to HK\$1,225 million to give an earnings per share of HK\$3.76. Consolidated shareholders' funds as at 30 June 2003 were HK\$28,865 million.

At the forthcoming Annual General Meeting of the Company, the Board of Directors will recommend the payment of a final dividend of HK\$0.70 per share which together with the interim dividend of HK\$0.40 per share paid during the year, makes a total dividend of HK\$1.10 per share. Total dividend for the year amounted to HK\$360 million.

### DISPOSAL OF 20% INTEREST IN DBS DIAMOND HOLDINGS LIMITED

In January 2003, the disposal of the Group's 20% interest in DBS Diamond Holdings Limited, the immediate holding company of Dao Heng Bank Group Limited, was completed following the exercise of the call option by the Development Bank of Singapore Ltd. The Group received sale proceeds totalling HK\$10.78 billion.

### STREAMLINING AND RESTRUCTURING INITIATIVES

The Group continues to build the foundation for sustainable growth and scalability in pursuit of prime value. It is imperative for the Group to manage effectively its business and to initiate innovative business ideas to create competitive edge and operational efficiency. In order to achieve these objectives, a series of streamlining and restructuring exercises were conducted by the Group last financial year to consolidate the Group's resources so that these resources can be better invested in opportunities that can maximize the return to shareholders. These initiatives should also enhance the value of the Group's existing investments.

Strategic corporate exercises have been made to transform First Capital Corporation Ltd into the Group's core property unit with its name changed appropriately to "GuocoLand Limited" ("GLL"). With an enlarged portfolio and a strengthened balance sheet, GLL is strategically positioned to extend its Singapore and UK operations to tap the growth opportunities in China. Non-core investments were divested while resources were allocated to capture the opportunities arising from the cyclical movements of these markets. These initiatives proved to be effective in bringing GLL to profitability, with a net profit of S\$94.2 million achieved for the year against a net loss of S\$179.9 million incurred in the prior year.

As a further initiative of this strategy to rationalise and consolidate the property and property-related activities of the Guoco Group in GLL, the Company and Hong Leong Company (Malaysia) Berhad ("HLCM") had entered into a conditional sale and purchase agreement with GLL in September 2003 for the sale of approximately 11.28% and 28.30% respective shareholdings in Hong Leong Properties Berhad ("HLPB") (in aggregate 39.58%) to GLL. The consideration will be satisfied by the issue of ordinary shares in the share capital of GLL which would dilute the Company's interest in GLL after the transaction from 61.48% to 57.96%.

The above exercise will enable GLL to have a presence in the Malaysian property market via HLPB, a property group with an embedded management team and good knowledge of the Malaysian property market. GLL will henceforth be focusing in four key countries, namely, Singapore, China, the United Kingdom and Malaysia. GLL is then positioned to capitalise on market potential in line with the different property cycles of these four identified property centres.

Hong Leong Credit Berhad ("HLCB"), the Group's 25.3% owned associated company and the current largest core business, undertook to streamline its operation into a pure financial services group by the demerger of HLPB. HLCB rewarded its shareholders through a capital distribution of its approximately 45% interest in HLPB, enabling them to participate directly in HLPB's equity while preserving the intrinsic value of HLCB. Being the Group's core financial arm, HLCB is diligently pursuing business and appropriate investment opportunities to expand its horizon with the support of the Group.

The financial services subsidiaries, comprising Dao Heng Securities Limited, Dao Heng Fund Management Limited and Dao Heng Insurance Co., Limited, had implemented bold rightsizing and streamlining exercises. Concurrently, effective allocation of resources was made in light of market opportunities and business potentials. With various prudent initiatives undertaken, the financial services companies have positioned themselves to work towards improvement in profitability on the expectation of better market conditions ahead.

### INVESTMENTS

The Investment Committee continues to provide guidance and directives in relation to the Group's investment and treasury operations. A formal process with clearly defined strategies and operating parameters was instituted by the Committee to manage the substantial investment funds. Strategic plans were formulated with the view to enhance the value of the Group's assets and investments.

Owing to the volatile and unpredictable global economic and political outlook during the year, assets and capital preservation remained the primary objective of our investment strategies. I am pleased to report that with strict adherence to the conservative cash management approach and risk management parameters, the Group achieved an acceptable level of return against the current low interest rate environment, without exposing to any undue risk.

Considering the prevailing outlook, the risk-reward of investment opportunities did not justify any major entry during the year under review. As an investment holding company, it remains our intention to seek various value investments that will enhance shareholders' value. We will continue to expand our team and strengthen the infrastructure to enable us to identify structured investment opportunities on a global basis.

### CORPORATE GOVERNANCE

The Group remains committed to high standards of corporate governance. With this objective in mind, the business and affairs of the Group are managed so as to create long term shareholders' value through enhancing corporate performance and accountability. Continued efforts are being made in reinforcing the Group's various controls and procedures in light of regulatory requirements and international developments to instill best practices.

### 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 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 shareholders' value.

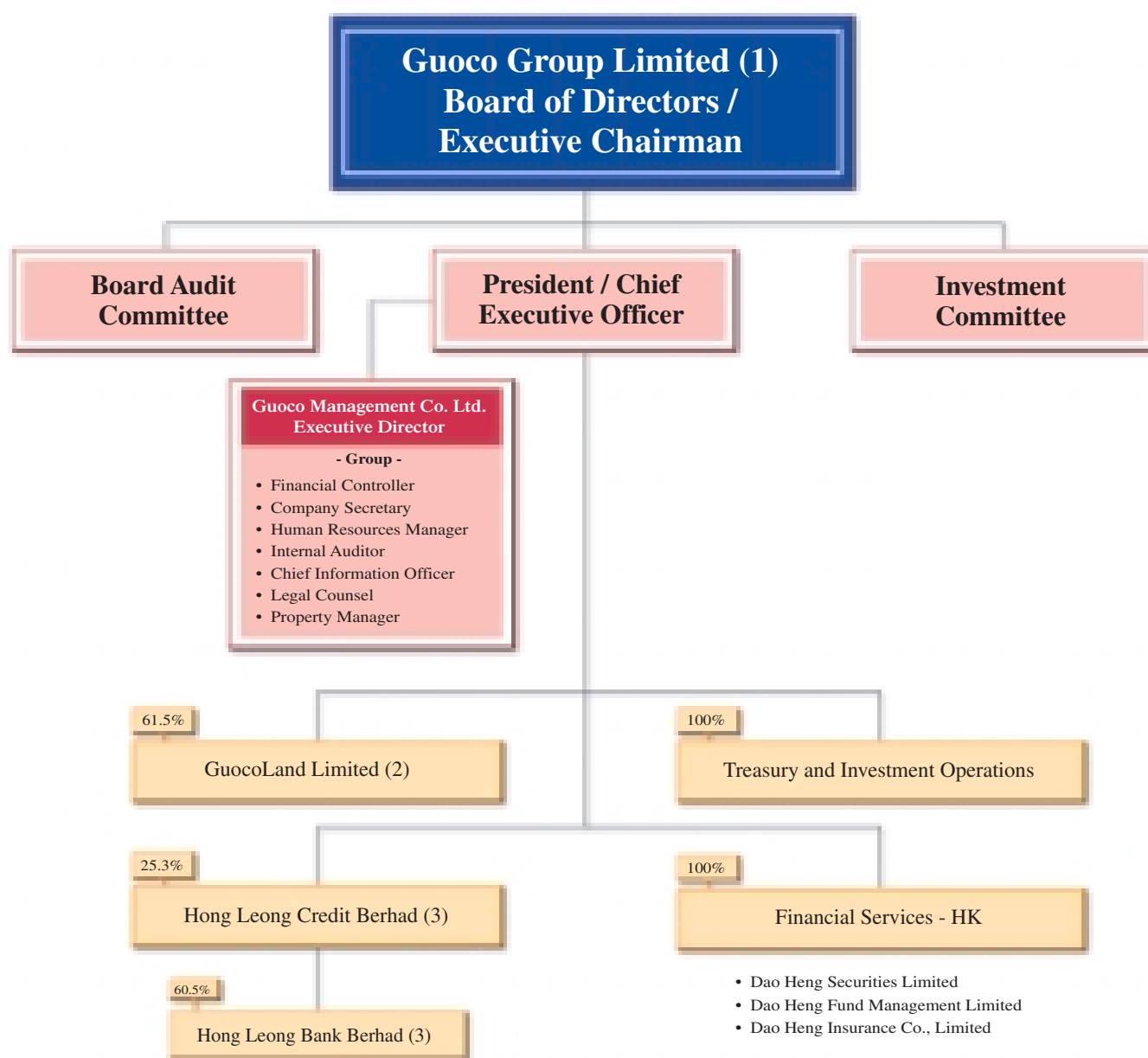
### APPRECIATION

I would like to thank my fellow directors for their guidance and support and to express my appreciation to the management team and diligent employees for their commitment and loyal service. I also wish to thank our customers, bankers and shareholders for their continued support.

**Quek Leng Chan**  
*Executive Chairman*

17 October 2003

## MANAGEMENT ORGANISATION CHART



(1) Listed in Hong Kong

(2) Listed in Singapore

(3) Listed in Malaysia

### Websites on the Internet :

- Guoco Group Limited (<http://www.guoco.com>)
- GuocoLand Limited (formerly known as “First Capital Corporation Ltd”) (<http://www.guocoland.com.sg>)
- Hong Leong Bank Berhad (<http://www.hlb.com.my>) (Subsidiary of Hong Leong Credit Berhad)



## TREASURY AND INVESTMENT STRATEGIES

The Board has established an Investment Committee to oversee and to direct the Group's ongoing investment process and to regularly review its risk related policies and controls. The Investment Committee regularly reviewed investment policies and parameters covering core investment, time deposits, money market instruments, fixed income, equities, financial instruments, interest rate and foreign currency exposures. The Group has maintained stringent concentration risks controls covering limits for country risk, counter party, currency as well as duration.

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. Meanwhile, the Group had taken the opportunity to expand its investment infrastructure to manage its treasury operations and investment funds.

With the benefit of hindsight, the year-to-year decline in most of the major market indices as illustrated by the table below appeared to support the investment stance maintained by the Group during the year:

**Table: Major Stock Indices**

	30 June 2002	30 June 2003	% Change
Dow Jones Ind.	9,243	8,985	(2.8)
Nasdaq	1,463	1,623	10.9
London FTSE	4,656	4,031	(13.4)
NIKKEI	10,622	9,083	(14.5)
Hang Seng Index	10,599	9,577	(9.6)
STI	1,553	1,448	(6.8)
KLSE	725	692	(4.6)

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.

## REVIEW OF OPERATIONS

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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*

To establish a competitive position in the property sector and to streamline its operational efficiency, the Group has successfully completed a series of streamlining and restructuring transactions to transform GLL into a regional property player. The company also changed its name from “First Capital Corporation Ltd” to “GuocoLand Limited” in December 2002 to clearly convey its role as the Group’s core property unit. With proper allocation of resources and disciplined management, GLL is now well poised for growth opportunities and to accommodate fluctuations in property cycles in markets spanning Singapore, China, Malaysia and UK.

The beginning of the financial year looked promising with the easing of the Central Provident Fund rules in Singapore in September 2002, making homes more affordable. Singapore developers sold 2,346 residential units in the third quarter of 2002, the highest number in all quarters of the financial year. The Singapore property market however cooled off thereafter with buying interest only returning during the months of May to July 2003 in response to major developers launching their projects following the substantial control of SARS. Overall, private residential property prices fell 1.8% in 2002 and 1.5% in the first half of 2003.

Notwithstanding the difficult conditions in the regional economies, relatively good progress was made in GLL. Its turnover increased by 56% to S\$364.9 million for the financial year ended 30 June 2003. The turnover was mainly attributable to units sold in Sanctuary Green and The Gardens at Bishan.

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 (“CSH”);
- net profit of S\$25 million arising from the disposal of interest in a development site at Suzhou; and
- unrealised mark-to-market gains of S\$22 million on 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 ("OUE").

GLL's borrowings decreased by S\$348 million from S\$1,404 million to S\$1,056 million as at 30 June 2003 mainly from the proceeds from disposal of its interests in its insurance subsidiary, OUE, CSH and in a development site in Suzhou. The reduction in GLL's borrowings coupled with the lower interest rate environment, has resulted in a 67% decrease in GLL's interest costs charged to the profit and loss account, from S\$31.3 million to S\$10.3 million.

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.

In Singapore, GLL currently has seven launched residential developments in the market: Sanctuary Green, The Gardens at Bishan, Bishan Point, Le Crescendo, Leonie Studio, The Ladyhill (in which GLL has 40% interest) and The Boulevard Residence (in which GLL has 40% interest). As at 18 September 2003, GLL has achieved sales of 52% in Sanctuary Green, 83% in The Gardens at Bishan, 88% in Bishan Point, 40% in Le Crescendo, 5% in Leonie Studio, 44% in The Ladyhill and 22% in The Boulevard Residence. In China, Corporate Square, GLL's commercial project in Beijing, is currently 63% sold.

There was no acquisition of development site during the year under review. GLL's land bank as at 30 June 2003 constituting unlaunched projects stood at approximately 300,000 sq. ft., equivalent to 222 residential units. GLL has a further 880,000 sq. ft. of unsold launched properties, equivalent to 675 residential units.

### FINANCIAL INDUSTRY GROUP

#### *Hong Leong Credit Berhad ("HLCB") - 25.3% owned by the Group*

Amid the setback of the regional economies, the Malaysian government had implemented a series of economic stimulus package which included an interest rate cut and a host of market friendly developments. The stimulus package together with easing external concerns, kick started an improvement in the economy and hence, saw the Kuala Lumpur Stock Exchange (KLSE) Composite Index making a dramatic U-turn.

At the same time, intensifying competition, low interest regime and structural changes in the financial services industry together with uncertainties across the globe had led to an increasingly challenging climate. This climate had put pressure on revenue growth and resulted in a narrowing of margins. The HLCB Group took the following steps to mitigate the downside impact:

- achieved a significant reduction in provision for loan loss due to intensified recovery efforts;
- continued to be prudent in the acquisition of assets and investments; and
- re-examined pricing strategies and repositioned its products where necessary.

In addition, the relentless cost down initiatives undertaken during the year has paid off as operating costs were trimmed organically.

Amid such challenging environment, the HLCB Group has held up well by recording 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.

Whilst increased domestic activity is expected to spur economic growth, still greater challenges are ahead given the ongoing liberalisation of the financial and capital markets. Nevertheless, the HLCB Group has made good progress to position itself for this dynamic landscape and will continue to focus on those fundamentals to reinforce HLCB Group's strong franchise in banking, insurance, asset management and stockbroking.

To enable the HLCB Group's transformation to a pure financial services group, in August 2002 HLCB proposed the capital distribution of all its interests (approximately 45%) in Hong Leong Properties Berhad ("HLPB") to its shareholders. The proposal was approved by its shareholders in March 2003 and completed in July 2003 after the approval of the High Court of Malaya. The Group has received approximately 79 million shares in HLPB from the distribution.

### *Hong Kong Financial Services Subsidiaries*

Our financial services subsidiaries comprising Dao Heng Securities Limited, Dao Heng Fund Management Limited and Dao Heng Insurance Co., 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 rightsizing 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

#### *Turnover*

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.

#### *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 comprised 38% of the 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:

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

The loans are secured by the following:

- legal mortgages on investment properties with a book value of HK\$577 million;
- legal mortgages on development properties with a book value of HK\$3,725 million; and
- 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:

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

## TEN YEAR SUMMARY

US\$'000

Years	Total assets	Total liabilities	Shareholders' funds	Net profit after tax	Dividend per share
1994	9,872,282	8,446,938	932,440	187,683	0.08
1995	12,660,441	10,666,819	1,276,683	210,938	0.09
1996	15,664,605	13,274,327	1,516,400	244,016	0.10
1997	19,428,627	16,548,548	1,753,233	277,268	0.11
1998	18,565,159	16,157,183	1,419,147	49,448	0.09
1999	19,338,881	16,956,281	1,403,985	78,928	0.08
2000	20,299,446	18,014,260	1,489,778	88,341	0.09
2001	5,937,223	1,571,996	4,116,828	2,726,259	0.10
2002	4,713,770	927,884	3,577,730	202,656	0.14
<b>2003</b>	<b>4,618,955</b>	<b>703,378</b>	<b>3,701,557</b>	<b>157,096</b>	<b>0.14</b>

HK\$'000

Years	Total assets	Total liabilities	Shareholders' funds	Net profit after tax	Dividend per share
1994	76,307,804	65,290,608	7,207,295	1,450,693	0.66
1995	97,972,823	82,545,179	9,879,612	1,632,345	0.71
1996	121,267,540	102,763,202	11,739,211	1,889,050	0.78
1997	150,523,286	128,209,879	13,583,168	2,148,134	0.85
1998	143,852,134	125,193,932	10,996,260	383,148	0.70
1999	150,021,371	131,538,351	10,891,414	612,283	0.60
2000	158,244,331	140,430,165	11,613,563	688,662	0.70
2001	46,308,855	12,261,175	32,110,229	21,264,139	0.80
2002	36,766,935	7,237,402	27,905,937	1,580,695	1.10
<b>2003</b>	<b>36,018,612</b>	<b>5,484,941</b>	<b>28,864,743</b>	<b>1,225,032</b>	<b>1.10</b>

Notes:

- The figures for 1994 include the former inner reserves of the banking subsidiaries which are restated to general reserve and included under shareholders' funds for the 1995 to 2000 figures.
- The figures for 1994 to 2000 were before transfer to general reserve by banking subsidiaries.
- The figures for 2000 and 2002 were restated due to change in accounting policies.
- The figures for 2001 to 2003 were after the disposal of the banking subsidiaries.



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# REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 30 June 2003.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries which materially affected the results or assets of the Group during the year include property development and investment; stock broking and commodities trading; insurance and fund management services; and treasury and investment management. The principal activities of the associates which materially affected the results of the Group during the year include banking and financing; insurance and stockbroking; property development and merchant banking.

The analysis of the principal activities and locations of operations of the Company and its subsidiaries during the year is set out in Note 14 on the financial statements.

## FINANCIAL STATEMENTS

The consolidated net profit of the Group for the year ended 30 June 2003 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 37 to 89.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for less than 30% of the total turnover of the Group. The information in respect of the Group's purchases attributable to the major suppliers during the year is as follows:

	Percentage of the Group's total purchases
The largest supplier	37%
Five largest suppliers in aggregate	82%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major suppliers.

## CHARITABLE DONATIONS

Donations made by the Group during the year amounted to US\$81,000 (2002: US\$68,000).

## DIVIDENDS

An interim dividend of HK\$0.40 (2002: HK\$0.40) per share totalling HK\$130,885,000 (2002: HK\$129,633,000) was paid on 14 April 2003. The directors are recommending payment of a final dividend in respect of the year ended 30 June 2003 of HK\$0.70 (2002: HK\$0.70) per share totalling HK\$229,048,000 (2002: HK\$226,857,000).

## CLOSURE OF REGISTER OF MEMBERS

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 share transfers will be registered.

To qualify for the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong not later than 4:00 p.m. on 14 November 2003.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year are shown in Note 31 on the financial statements.

## 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.

## FIXED ASSETS

Movements in fixed assets during the year are set out in Note 15 on the financial statements.

## RESERVES

Movements in the reserves of the Company and the Group during the year are set out in Note 32 on the financial statements.

## SUBSIDIARIES

Particulars of the principal subsidiaries of the Company are set out in Note 16 on the financial statements.

## DIRECTORS

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

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

Quek Leng Chan - *Executive Chairman*

Kwek Leng Hai - *President, CEO*

Sat Pal Khattar\*\*

Kwek Leng San\*

Peter Anthony Wakefield\*

Tan Lim Heng

Harry Richard Wilkinson\*\*

Jamal Al-Babtain\*

James Eng, Jr.

Tung Hsi Hui, Frank\*\*

\* *Non-executive director*

\*\* *Independent non-executive director*

In accordance with Clause 99 of the Company's Bye-Laws, Messrs Kwek Leng San, Harry Richard Wilkinson and Peter Anthony Wakefield will retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

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

# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2003, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO were disclosed as follows in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

### (a) The Company

Director	Number of shares/underlying shares (Long Position)				Notes
	Personal interests	Family interests	Corporate interests	Total interests	
Quek Leng Chan	1,656,325	—	150,629,522	152,285,847	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	70,000	—	—	70,000	7
Tung Hsi Hui, Frank	200	—	—	200	8

#### Notes:

- (1) The total interests of 152,285,847 shares/underlying shares, which represented a deemed shareholding of approximately 46.54% of the total issued share capital of the Company, comprised 138,430,640 ordinary shares of the Company, 13,255,207 underlying shares of other unlisted derivatives and 600,000 underlying shares of unlisted physically settled options granted by the Company with details as set out against his own name under the "Share Options" section below.

The corporate interests of 150,629,522 shares/underlying shares were interests held by certain corporations of which Mr Quek Leng Chan was entitled to control one-third or more of the voting power.

- (2) The personal interests of 2,820,775 shares/underlying shares, which represented a deemed shareholding of approximately 0.86% of the total issued share capital of the Company, comprised 2,220,775 ordinary shares of the Company and 600,000 underlying shares of unlisted physically settled options granted by the Company with details as set out against his own name under the "Share Options" section below.
- (3) The personal interests of 691,125 shares/underlying shares, which represented a deemed shareholding of approximately 0.21% of the total issued share capital of the Company, comprised 631,125 ordinary shares of the Company and 60,000 underlying shares of unlisted physically settled options granted by the Company with details as set out against his own name under the "Share Options" section below.
- (4) The personal interests of 209,120 shares/underlying shares, which represented a deemed shareholding of approximately 0.06% of the total issued share capital of the Company, comprised 149,120 ordinary shares of the Company and 60,000 underlying shares of unlisted physically settled options granted by the Company with details as set out against his own name under the "Share Options" section below.
- (5) The personal interests of 559,230 shares/underlying shares, which represented a deemed shareholding of approximately 0.17% of the total issued share capital of the Company, comprised 359,230 ordinary shares of the Company and 200,000 underlying shares of unlisted physically settled options granted by the Company with details as set out against his own name under the "Share Options" section below.
- (6) The personal interests of 565,443 shares/underlying shares, which represented a deemed shareholding of approximately 0.17% of the total issued share capital of the Company, comprised 365,443 ordinary shares of the Company and 200,000 underlying shares of unlisted physically settled options granted by the Company with details as set out against his own name under the "Share Options" section below.
- (7) The personal interests of 70,000 shares/underlying shares, which represented a deemed shareholding of approximately 0.02% of the total issued share capital of the Company, comprised 10,000 ordinary shares of the Company and 60,000 underlying shares of unlisted physically settled options granted by the Company with details as set out against his own name under the "Share Options" section below.
- (8) The personal interests represented 200 ordinary shares of the Company.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

### (b) Associated corporations

#### *GuocoLand Limited ("GLL")*

Director	Number of shares/underlying shares (Long Position)					Notes
	Personal interests	Family interests	Corporate interests	Other interests	Total interests	
Quek Leng Chan	14,047,224	—	396,339,980	—	410,387,204	1
Kwek Leng Hai	10,042,617	—	—	—	10,042,617	2a
	—	—	—	8,808,523	8,808,523	2b
Sat Pal Khattar	—	—	6,993,635	—	6,993,635	3a
	—	—	—	3,398,727	3,398,727	3b

#### *Notes:*

- (1) The total interests of 410,387,204 shares/underlying shares, which represented a deemed shareholding of approximately 79.68% of the total issued share capital of GLL, comprised 330,511,571 ordinary shares of GLL, 53,833 underlying shares of listed physically settled options due in 2004 and 79,821,800 underlying shares of listed physically settled options due in 2005.

The corporate interests of 396,339,980 shares/underlying shares were interests held by certain subsidiaries of the Company, in respect of which Mr Quek Leng Chan was taken to have a duty of disclosure under the SFO by virtue of his interest in the Company as described in part (a) above.

- (2a) The personal interests represented 10,042,617 ordinary shares of GLL.
- (2b) The other interests represented 8,808,523 4.5% non-redeemable convertible cumulative preference shares 2005 of GLL.
- (3a) The corporate interests represented 6,993,635 ordinary shares of GLL.
- (3b) The other interests represented 3,398,727 4.5% non-redeemable convertible cumulative preference shares 2005 of GLL.

# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

### (b) Associated corporations (Cont'd)

#### *Hong Leong Credit Berhad ("HLCB")*

Director	Number of shares/underlying shares (Long Position)				Notes
	Personal interests	Family interests	Corporate interests	Total interests	
Quek Leng Chan	11,046,600	—	835,644,954	846,691,554	1
Kwek Leng Hai	916,800	—	—	916,800	2
Tan Lim Heng	245,700	—	—	245,700	3

#### *Notes:*

- (1) The total interests of 846,691,554 shares/underlying shares, which represented a deemed shareholding of approximately 81.41% of the total issued share capital of HLCB, comprised 840,999,354 ordinary shares of HLCB, 159,000 underlying shares of listed physically settled options issued by HLCB exercisable between 24 December 1999 and 23 December 2004 at an exercise price of RM2.74 per share and 5,533,200 underlying shares of other unlisted derivatives.

The corporate interests of 835,644,954 shares/underlying shares were held as to 263,334,646 shares/underlying shares by certain subsidiaries of the Company, in respect of which Mr Quek Leng Chan was taken to have a duty of disclosure under the SFO by virtue of his interests in the Company as described in part (a) above and 572,310,308 shares/underlying shares by certain corporations of which Mr Quek Leng Chan was entitled to control, directly or indirectly, one-third or more of the voting power.

- (2) The personal interests of 916,800 shares/underlying shares, which represented a deemed shareholding of approximately 0.09% of the total issued share capital of HLCB, comprised 756,000 ordinary shares of HLCB and 160,800 underlying shares of listed physically settled options issued by HLCB exercisable between 20 August 1997 and 27 June 2007 at an exercise price of RM4.99 per share.
- (3) The personal interests represented 245,700 ordinary shares of HLCB.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

### (c) Interests of Mr Quek Leng Chan in other associated corporations

Associated Corporations	Number of shares/underlying shares (Long Position)				Notes
	Personal interests	Family interests	Corporate interests	Total interests	
Benchmark Group PLC ("BGP")	—	—	37,524,363	37,524,363	1
Guoman Hotel & Resort Holdings Sdn Bhd ("GHRH")	—	—	277,000,000	277,000,000	2
HLG Asset Management Philippines, Inc ("HLGAM")	—	—	48,000,000	48,000,000	3
Hume Concrete Philippines, Inc ("HCPI")	—	—	100,000	100,000	4
Hume Holdings, Inc ("HHI")	—	—	100,000	100,000	5
Luck Hock Venture Holdings, Inc. ("LHVHI")	—	—	75,000	75,000	6
McQuay Philippines Sales & Service, Inc ("MPSS")	—	—	20,000,000	20,000,000	7
OYL Holdings, Inc ("OYLH")	—	—	100,000	100,000	8
Philippine Malaysia Water Consortium, Inc. ("PMWC")	—	—	3,250,000	3,250,000	9
PICOP Holdings, Inc ("PICOPH")	—	—	100,000	100,000	10
Prime Orion Philippines, Inc ("POPI")	121,000,000	—	866,610,220	987,610,220	11

*Notes:*

- (1) The corporate interests of 37,524,363 shares/underlying shares, representing a deemed shareholding of approximately 38.51% of the total issued share capital of BGP, comprised 33,657,790 ordinary shares of BGP and 3,866,573 underlying shares of listed physically settled options which represented conversion rights attached to the options convertible between 1 October 2003 and 31 October 2013 at a conversion price of GBP3.233 per share.

37,522,024 shares/underlying shares of these corporate interests were held by a subsidiary of the Company, in respect of which Mr Quek Leng Chan was taken to have a duty of disclosure under the SFO by virtue of his interests in the Company as described in part (a) above and 2,339 shares/underlying shares were held by a corporation of which Mr Quek Leng Chan was entitled to control one-third or more of the voting power.

- (2) The corporate interests of 277,000,000 shares, which represented 100.00% of the total issued share capital of GHRH, comprised 83,100,000 shares held by a subsidiary of the Company, in respect of which Mr Quek Leng Chan was taken to have a duty of disclosure under the SFO by virtue of his interests in the Company as described in part (a) above and 193,900,000 shares held by a corporation of which Mr Quek Leng Chan was entitled to control one-third or more of the voting power.

- (3) The corporate interests of 48,000,000 shares, which represented 96.00% of the total issued share capital of HLGAM, comprised 27,500,000 shares held by an associated corporation of the Company, in respect of which Mr Quek Leng Chan was taken to have a duty of disclosure under the SFO by virtue of his interests in the Company as described in part (a) above and 20,500,000 shares held by a corporation of which Mr Quek Leng Chan was entitled to control one-third or more of the voting power.

# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

### (c) Interests of Mr Quek Leng Chan in other associated corporations (Cont'd)

- (4) The corporate interests of 100,000 shares, which represented 100.00% of the total issued share capital of HCPI, comprised 60,000 shares held by an associated corporation of the Company, in respect of which Mr Quek Leng Chan was taken to have a duty of disclosure under the SFO by virtue of his interests in the Company as described in part (a) above and 40,000 shares held by a corporation of which Mr Quek Leng Chan was entitled to control one-third or more of the voting power.
- (5) The corporate interests of 100,000 shares, which represented 100.00% of the total issued share capital of HHI, comprised 80,000 shares held by an associated corporation of the Company, in respect of which Mr Quek Leng Chan was taken to have a duty of disclosure under the SFO by virtue of his interests in the Company as described in part (a) above and 20,000 shares held by a corporation of which Mr Quek Leng Chan was entitled to control one-third or more of the voting power.
- (6) The corporate interests of 75,000 shares, which represented 60.00% of the total issued share capital of LHVHI, comprised 25,000 shares held by an associated corporation of the Company, in respect of which Mr Quek Leng Chan was taken to have a duty of disclosure under the SFO by virtue of his interests in the Company as described in part (a) above and 50,000 shares held by a corporation of which Mr Quek Leng Chan was entitled to control one-third or more of the voting power.
- (7) The corporate interests of 20,000,000 shares, which represented 100.00% of the total issued share capital of MPSS, comprised 6,000,000 shares held by an associated corporation of the Company, in respect of which Mr Quek Leng Chan was taken to have a duty of disclosure under the SFO by virtue of his interests in the Company as described in part (a) above and 14,000,000 shares held by corporations of which Mr Quek Leng Chan was entitled to control one-third or more of the voting power.
- (8) The corporate interests of 100,000 shares, which represented 100.00% of the total issued share capital of OYLH, comprised 60,000 shares held by an associated corporation of the Company, in respect of which Mr Quek Leng Chan was taken to have a duty of disclosure under the SFO by virtue of his interests in the Company as described in part (a) above and 40,000 shares held by a corporation of which Mr Quek Leng Chan was entitled to control one-third or more of the voting power.
- (9) The corporate interests of 3,250,000 shares, which represented 65.00% of the total issued share capital of PMWC, comprised 1,000,000 shares held by an associated corporation of the Company, in respect of which Mr Quek Leng Chan was taken to have a duty of disclosure under the SFO by virtue of his interests in the Company as described in part (a) above and 2,250,000 shares held by a corporation of which Mr Quek Leng Chan was entitled to control one-third or more of the voting power.
- (10) The corporate interests of 100,000 shares, which represented 100.00% of the total issued share capital of PICOPH, comprised 60,000 shares held by an associated corporation of the Company, in respect of which Mr Quek Leng Chan was taken to have a duty of disclosure under the SFO by virtue of his interests in the Company as described in part (a) above and 40,000 shares held by a corporation of which Mr Quek Leng Chan was entitled to control one-third or more of the voting power.
- (11) The total interests of 987,610,220 shares represented approximately 41.72% of the total issued share capital of POPI.

The corporate interests of 866,610,220 shares were held by certain subsidiaries of the Company, in respect of which Mr Quek Leng Chan was taken to have a duty of disclosure under the SFO by virtue of his interests in the Company as described in part (a) above.

### (d) Interests of Mr Quek Leng Chan in debentures of associated corporation

Mr Quek Leng Chan was deemed to be interested in the corporate interests of GBP12,501,045 of debentures in BGP, comprising GBP12,500,000 of debentures held by a subsidiary of the Company, in respect of which Mr Quek Leng Chan was taken to have a duty of disclosure under the SFO by virtue of his interests in the Company as described in part (a) above and GBP1,045 of debentures held by a corporation of which Mr Quek Leng Chan was entitled to control one-third or more of the voting power.

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

Save as disclosed above, as at 30 June 2003, none of the directors of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO required to be disclosed in accordance with the Listing Rules.



## SHARE OPTIONS

### The Company

#### *Executive Share Option Scheme*

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 service 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 of Hong Kong Limited (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. Option could be exercised from the date of grant and ending on the tenth anniversary of the date on which the option was granted.

The aggregate number of shares issued and issuable upon the exercise of all share options would not exceed 10% of the number of shares in issue from time to time. No share option would be granted to any one person, which, if exercised in full, would result in the total number of shares already issued and issuable to that person under all share options previously granted to him exceeding 25% of the maximum aggregate number of shares in respect of which share options might be granted under the ESOS.

On 6 December 1999, share options for the exercise of an aggregate of 9,800,000 shares at HK\$20.33 per share were granted to certain directors of the Company and employees of the Group pursuant to the ESOS. The closing market price per share on that date was HK\$23.60. As at 30 June 2003, the number of shares issuable upon exercise of all outstanding options was 1,840,000 which represented approximately 0.56% of the shares in issue of the Company. Details of the share options granted to directors and employees which remained outstanding during the year are as follows:

Grantee	No. of share options as at 1 July 2002	as at 30 June 2003	Exercise period of share options	No. of shares acquired on exercise of share options during the year	Weighted closing price immediately before the date of exercise HK\$
Quek Leng Chan	600,000	—	12 November 2002 to 12 February 2004	600,000	46.50
	600,000	600,000	12 November 2003 to 12 February 2004	—	
	<u>1,200,000</u>	<u>600,000</u>		<u>600,000</u>	
Kwek Leng Hai	450,000	—	12 November 2000 to 12 February 2004	450,000	46.50
	600,000	—	12 November 2001 to 12 February 2004	600,000	46.50
	600,000	—	12 November 2002 to 12 February 2004	600,000	46.50
	600,000	600,000	12 November 2003 to 12 February 2004	—	
	<u>2,250,000</u>	<u>600,000</u>		<u>1,650,000</u>	

# REPORT OF THE DIRECTORS

## SHARE OPTIONS (Cont'd)

### The Company (Cont'd)

#### Executive Share Option Scheme (Cont'd)

Grantee	No. of share options as at		Exercise period of share options	No. of shares acquired on exercise of share options during the year	Weighted closing price immediately before the date of exercise HK\$
	1 July 2002	30 June 2003			
Sat Pal Khattar	60,000	—	12 November 1999 to 12 February 2004	60,000	47.50
	60,000	—	12 November 2000 to 12 February 2004	60,000	47.50
	60,000	—	12 November 2001 to 12 February 2004	60,000	47.50
	60,000	—	12 November 2002 to 12 February 2004	60,000	47.50
	60,000	60,000	12 November 2003 to 12 February 2004	—	
	<u>300,000</u>	<u>60,000</u>		<u>240,000</u>	
Kwek Leng San	60,000	—	12 November 2002 to 12 February 2004	60,000	45.60
	60,000	60,000	12 November 2003 to 12 February 2004	—	
	<u>120,000</u>	<u>60,000</u>		<u>60,000</u>	
Tam Lim Heng	200,000	—	12 November 2002 to 12 February 2004	200,000	47.50
	200,000	200,000	12 November 2003 to 12 February 2004	—	
	<u>400,000</u>	<u>200,000</u>		<u>200,000</u>	
Harry Richard Wilkinson	60,000	—	12 November 2001 to 12 February 2004	60,000	47.50
	60,000	—	12 November 2002 to 12 February 2004	60,000	47.50
	60,000	60,000	12 November 2003 to 12 February 2004	—	
	<u>180,000</u>	<u>60,000</u>		<u>120,000</u>	

## SHARE OPTIONS (Cont'd)

### The Company (Cont'd)

#### Executive Share Option Scheme (Cont'd)

Grantee	No. of share options		Exercise period of share options	No. of shares acquired on exercise of share options during the year	Weighted closing price immediately before the date of exercise HK\$
	as at 1 July 2002	as at 30 June 2003			
James Eng, Jr.	200,000	—	12 November 2002 to 12 February 2004	200,000	47.50
	200,000	200,000	12 November 2003 to 12 February 2004	—	
	<hr/>	<hr/>		<hr/>	
	<u>400,000</u>	<u>200,000</u>		<u>200,000</u>	
Employees (Note)	120,000	—	12 November 2002 to 12 February 2004	60,000	47.50
	120,000	60,000	12 November 2003 to 12 February 2004	—	
	<hr/>	<hr/>		<hr/>	
	<u>240,000</u>	<u>60,000</u>		<u>60,000</u>	

*Note:* The outstanding 120,000 share options with an exercise price of HK\$20.33 per share lapsed following the resignation of an eligible employee during the year.

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

#### Share Option Scheme

A new share option scheme (the “New Scheme”) was adopted by the Company on 29 November 2001 for the purpose of providing any employee or director of the Company or any of its subsidiaries or associated companies (the “Eligible Employee”) the opportunity of participating in the growth and success of the Group. The number of shares that may be issued upon exercise of all share options to be granted under the New Scheme shall not in aggregate exceed 32,721,137 which represents 10% of the shares in issue of the Company on the date of this report. The maximum entitlement for any Eligible Employee in respect of the total number of shares issued and to be issued upon exercise of options granted and to be granted in any 12 months period up to the date of the latest grant does not exceed 1% of the shares of the Company in issue.

The option price per share payable upon exercise of any share option will be determined by the directors upon the grant of 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.

# REPORT OF THE DIRECTORS

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## SHARE OPTIONS (Cont'd)

### The Company (Cont'd)

#### *Share Option Plan*

On 16 December 2002, the Company adopted a 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.

Unlike a traditional employee share option scheme, the Share Option Plan does not involve options over unissued shares of the Company and thereby avoids the uncertainty for the shareholders of potential dilutionary effect on the Company’s issued share capital from time to time. A trust (the “Trust”) has been set up for the purpose of acquiring existing shares of the Company to satisfy outstanding options from time to time while a wholly owned subsidiary of the Company as the trustee is responsible for administering the Trust.

The number of shares that may be transferred upon exercise of all share options to be granted under the Share Option Plan shall not in aggregate exceed 32,721,137 which represents 10% of the shares in issue of the Company as at the date of this report. The maximum entitlement for any Participant in respect to the total number of shares transferred and to be transferred upon exercise of options granted and to be granted in any 12 months period up to the date of the latest grant will not exceed 1% of the shares of the Company in issue at any date of grant.

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.

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

### SHARE OPTIONS (Cont'd)

#### GuocoLand Limited

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

A committee (the "Committee") comprising directors of GLL who are presently not participants of the Option Scheme shall select full time employees of the GLL Group and the executive directors of GLL ("GLL Employees") to become participants in the Option Scheme. The aggregate number of shares in GLL over which the Committee may grant options under the Option Scheme on any date, when added to the number of shares issued and issuable in respect of all options granted under the Option Scheme, shall not exceed 5% of the issued share capital of GLL on the day preceding that date. The total number of shares available for issue under the Option Scheme was 20,390,734, representing 3.96% of the issued share capital of GLL as at the date of this report.

The maximum entitlement of any GLL Employee shall not exceed 25% in aggregate of the total number of GLL shares which have been issued and are to be issued by GLL pursuant to the exercise of options under the Option Scheme. The grant of option to a GLL Employee shall be accepted within 30 days from the date on which an option is granted accompanied by a payment of S\$1 as consideration. The Option Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of 15 years commencing on 31 December 1998.

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

On 27 April 1999, 5,380,000 options were granted to GLL Employees including executive directors, which are exercisable at S\$2.28 per share. As at 1 July 2002, 4,110,000 options were outstanding. The date of expiration of the option is 26 April 2009. During the year, no additional options were granted pursuant to the Option Scheme and no GLL shares were issued as a result of the exercise of options. However, 670,000 options lapsed due to the cessation of employment by GLL Employees from GLL Group, who had been granted options under the Option Scheme. Therefore, the number of outstanding options as at 30 June 2003 was 3,440,000.

# REPORT OF THE DIRECTORS

## DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 30 June 2003, other than the interests and short positions of the directors of the Company as disclosed above, the persons who had interests or short positions in the shares and underlying shares of 5% or more in the Company's issued share capital as recorded in the register maintained by the Company under Section 336 of the SFO are as follows:

Shareholders	Capacity	Number of shares/underlying Shares (Long Position)	Notes
Government of Kuwait Investment Authority Kuwait Investment Office	Direct interest	71,172,395	
Hong Leong Company (Malaysia) Berhad ("HLCM")	Interest of controlled corporations	150,629,522	1
HL Holdings Sdn Bhd ("HLH")	Interest of controlled corporations	150,629,522	2
Hong Leong Investment Holdings Pte. Ltd. ("HLInv")	Interest of controlled corporations	150,629,522	2
Kwek Holdings Pte Ltd ("KH")	Interest of controlled corporations	150,629,522	3
Deutsche Bank Aktiengesellschaft ("DBA")	Interest of a controlled corporation	17,853,642	4

Notes:

- (1) These interests, representing a deemed shareholding of approximately 46.03% of the total issued share capital of the Company, comprised 137,374,315 ordinary shares of the Company and 13,255,207 underlying shares of unlisted cash settled derivatives.

These interests were held by the following companies of which HLCM controlled, directly or indirectly, one-third or more of the voting power:

Number of shares/underlying shares	Directly held by
138,480,588	Guoline Overseas Limited ("GOL")
7,320,359	Hong Leong (Netherlands Antilles) N.V. ("HLNA")
4,501,000	Guoinvest International Limited ("Guoinvest")
327,575	MPI (BVI) Limited

Guoline Capital Assets Limited, a wholly owned subsidiary of HLCM, was deemed to be interested in 150,301,947 shares/underlying shares of the Company held by GOL, Guoinvest and HLNA which were its wholly owned subsidiaries.

- (2) HLH and HLInv were deemed to be interested in the interests held by HLCM as they were entitled to exercise one-third or more of the voting power in HLCM.
- (3) KH was deemed to be interested in the interests held by HLInv as it was entitled to exercise one-third or more of the voting power in HLInv.
- (4) These interests were held by DBA through its controlled corporation, Deutsche Bank AG, London Branch. These interests, representing a deemed shareholding of approximately 5.46% of the total issued share capital of the Company, comprised 10,761,639 ordinary shares of the Company and 7,092,003 underlying shares of unlisted cash settled derivatives. In addition, DBA held 101 shares of the Company in short position, representing approximately 0.00% of the issued share capital of the Company.

Save as disclosed above, as at 30 June 2003, the Company had not been notified by any person (other than the directors of the Company) who had interests or short positions in the shares or underlying shares of the Company of 5% or more which would fall to be discloseable pursuant to Part XV of the SFO or as recorded in the register maintained by the Company under Section 336 of the SFO.

## BOARD AUDIT COMMITTEE

A Board Audit Committee was 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 control.

The Board Audit Committee meets with the Company's external auditors and the internal auditors, and reviews the audit plans, the internal audit programme, the results of their examinations and their evaluations of the system of internal control. 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 complied throughout the year with the Code of Best Practice adopted by the Company based on the guidelines set out in Appendix 14 to the Listing Rules, 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.

## INTEREST CAPITALISED

Interest capitalised during the year by the Group in respect of development properties amounted to approximately US\$16.0 million (2002: approximately US\$20.8 million).

## INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

### Services agreements

#### (a) *Services Agreement dated 21 August 2001*

On 21 August 2001, the Company entered into a services agreement (the "Services Agreement") with Hong Leong Overseas (H.K.) Limited ("HLO"), which was renamed as GOMC Limited ("GOMC") in February 2003, for the provision of certain services by GOMC to the Company and its subsidiaries and associated companies from time to time. The services agreed to be provided under the Services Agreement include formulation of strategy and planning, overview of investment and financial management, treasury and risk management services and technical assistance with respect to operating practices and procedures, accounting and other services. The consideration for the services provided was fixed at HK\$100,000 per month (or such other amount as may be agreed from time to time between GOMC and the Company) and an annual fee equal to 3% of the annual consolidated profits before tax of the Group for each financial year. The Services Agreement is for a term of one year and shall be automatically renewable, on the same terms, for additional, consecutive terms of one year each unless either party provides written notice of at least six months.

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

The Company applied for and the Stock Exchange granted a conditional waiver from strict compliance with the disclosure requirements of connected transactions as stipulated under Rule 14.25(1) of the Listing Rules in respect of the future connected transactions arising from the renewal of the Services Agreement (the "GOMC Transactions").

# REPORT OF THE DIRECTORS

## INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Cont'd)

### Services agreements (Cont'd)

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

- (1) the GOMC Transactions were:
  - (i) entered into by the Company in the ordinary and usual course of its business;
  - (ii) conducted on terms that were fair and reasonable so far as the shareholders of the Company are concerned; and
  - (iii) entered into in accordance with the terms of the agreements governing the GOMC Transactions;
- (2) the aggregate amount of the GOMC Transactions was approximately HK\$43,754,000 for the year ended 30 June 2003 and did not exceed the cap amount of 3% of the book value of the consolidated audited net tangible assets of the Company and its subsidiaries as at 30 June 2003.

#### (b) *Services Agreement dated 6 June 2003*

On 6 June 2002, the Company entered into a services agreement (the “Services Agreement”) with GuocoLand Limited (“GLL”) for the provision of certain services by the Company to GLL and its subsidiaries and associated companies from time to time. The services agreed to be provided under the Services Agreement include overview of GLL’s corporate strategies and planning and oversight of investment and financial management disciplines, treasury and risk management, human resource and management development, development of quality and productivity programmes and other operating practices and procedures. The consideration for the services provided was fixed at HK\$50,000 per month (or such other amount as may be agreed from time to time between GLL and the Company) and an annual fee equal to 3% of the annual consolidated profits before tax of GLL for each financial year. The Services Agreement was automatically renewable after the financial year end date of 30 June 2003 for additional, consecutive terms of one year each unless either party provides written notice of at least six months.

GLL is an indirect 61.5% subsidiary of the Company. Messrs Quek Leng Chan, Kwek Leng Hai and Sat Pal Khattar are directors interested in the Services Agreement as shareholders and directors of GLL.

The Company applied for and the Stock Exchange granted a conditional waiver from strict compliance with the disclosure requirements of connected transactions as stipulated under Rule 14.25(1) of the Listing Rules in respect of the future connected transactions arising from the renewal of the Services Agreement (the “GLL Transactions”).

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

- (1) the GLL Transactions were:
  - (i) entered into by the Company in the ordinary and usual course of its business;
  - (ii) conducted on terms that were fair and reasonable so far as the shareholders of the Company are concerned; and
  - (iii) entered into in accordance with the terms of the Service Agreement governing the GLL Transactions;
- (2) the aggregate amount of the GLL Transactions was approximately HK\$13,478,000 for the year ended 30 June 2003 and did not exceed the cap amount of the higher of HK\$10,000,000 or 3% of the book value of the consolidated audited net tangible assets of the Company and its subsidiaries as at 30 June 2003.



### INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Cont'd)

#### Sale and purchase agreement

On 25 September 2003, the Company and HLCM (collectively as the vendors) entered into a conditional sale and purchase agreement (the “Sale and Purchase Agreement”) with GLL (as the purchaser) for the disposal of 79,000,394 and 198,222,563 ordinary shares of RM0.50 each in the issued share capital of Hong Leong Properties Berhad (“HLPB”) by the Company and HLCM respectively to GLL at a purchase price of RM0.57 per share, equivalent to the simple average of the closing prices of HLPB Shares quoted on the Kuala Lumpur Stock Exchange for the 30 consecutive trading days prior to the date of the Sale and Purchase Agreement. The aggregate purchase consideration under Sale and Purchase Agreement amounted to approximately RM158 million.

The purchase consideration is to be satisfied through the issue by GLL to the Company and HLCM respectively of 17,554,260 and 44,045,989 new shares of S\$1 each in the share capital of GLL at an issue price of S\$1.18 per share, equivalent to the simple average of the closing prices of GLL shares quoted on Singapore Exchange Securities Trading Limited for the 30 consecutive trading days prior to the date of the Sale and Purchase Agreement.

The restructure exercise consolidates HLPB Shares held by the Group and the HLCM group into GLL to allow GLL to build up its presence in the property market of Malaysia via its participation in HLPB, a listed property group with established management team and good local knowledge of the Malaysian property market.

GLL is an indirect 61.5% subsidiary of the Company. HLCM is a deemed substantial shareholder holding approximately 41.98% of the issued share capital of the Company. Messrs Quek Leng Chan, Kwek Leng Hai and Kwek Leng San are interested in the above transaction as directors and shareholders of HLCM.

#### Share Option Plan

The Company obtained shareholders’ approval to adopt the Share Option Plan on 16 December 2002 and a trust for the Share Option Plan (the “Trust”) was established. The Trust will acquire existing issued shares of the Company (the “Existing Shares”) for the purpose of satisfying outstanding options to be granted pursuant to the Share Option Plan. The Company will make loans to the Trust from time to time to enable the Trust to acquire the Existing Shares for the purpose of the Trust pursuant to a trust deed (the “Trust Deed”) between the Company and a trustee of the Trust (the “Trustee”, a wholly owned subsidiary of the Company).

The grant of loans to the Trust pursuant to the Trust Deed and the grant of options to the participants pursuant to the Share Option Plan from time to time constitute connected transactions under Chapter 14 of the Listing Rules. During the year, no loan was made by the Company to the Trust and no option was granted pursuant to the Share Option Plan.

#### Loans to subsidiary

Further to the completion of the transfer of 55% interest in Guoco Properties Limited (“GPL”) to GLL in December 2002, GPL becomes a wholly owned subsidiary of GLL. Shareholder’s loan of approximately US\$81.5 million previously granted to GPL by the Company was assigned to GLL. Consequently, there was no loan to non-wholly owned subsidiary granted by GGL as at 30 June 2003.

# REPORT OF THE DIRECTORS

## INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Cont'd)

### Others

- (1) On 28 June 2002, GLL proposed a rights issue (the “Rights Issue”) of one ordinary rights share and one non-redeemable convertible cumulative preference share 2005 at an issue price of S\$1 each for every four existing ordinary shares held in GLL. The Company undertook to procure the subscription and payment for the rights shares under its entitlement and also for the excess shares (“Excess Shares”) not taken up under the Rights Issue (the “Excess Undertaking”). The total number of Excess Shares subscribed by the Company was 41,566,000 with the total subscription money amounting to approximately S\$41.6 million (equivalent to approximately US\$23.5 million).
- (2) The Hong Leong Bank Berhad (“HLBB”) group has, from time to time, provided services to the Company and its connected persons (as defined in the Listing Rules) in the ordinary course of its banking business including, inter alia, loan advances, deposits, cheque clearing, remittance, the provision of account services in a variety of currencies, nominee and custodian services and occasionally short term credit accommodation. All services provided by HLBB group are in the ordinary course of business and on normal commercial terms.

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

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

### Directors’ interests in competing business

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

Mr Tan Lim Heng is a non-executive director and a shareholder of Shanghai Land Holdings Limited, a former associated company of the Company, which is engaged in property investment and development in the PRC.

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

## PROPERTIES

Particulars of the major development properties and investment properties of the Group are shown on pages 90 to 91.

## PRE-EMPTIVE RIGHTS

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

### INVESTOR RELATIONS

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

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

### AUDITORS

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

By Order of the Board

**Kwek Leng Hai**  
*President, CEO*

Hong Kong, 17 October 2003

# AUDITORS' REPORT



## TO THE SHAREHOLDERS OF GUOCO GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 37 to 89 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## BASIS OF OPINION

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

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

## OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2003 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**KPMG**

*Certified Public Accountants*

Hong Kong, 17 October 2003

# CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2003  
(Expressed in United States dollars)

	Note	2003 US\$'000	2002 US\$'000	2003 HK\$'000	2002 HK\$'000
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
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

# CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2003

(Expressed in United States dollars)

	Note	2003 US\$'000	2002 US\$'000	2003 HK\$'000	2002 HK\$'000
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>
		US\$	US\$	HK\$	HK\$
Earnings per share					
Basic	13	<u>0.48</u>	<u>0.55</u>	<u>3.76</u>	<u>4.31</u>
Diluted	13	<u>0.48</u>	<u>0.54</u>	<u>3.74</u>	<u>4.20</u>
		US\$'000	US\$'000	HK\$'000	HK\$'000
Proposed final dividend	12	<u>29,373</u>	<u>29,085</u>	<u>229,048</u>	<u>226,857</u>

The notes on pages 44 to 89 form part of these financial statements.

# CONSOLIDATED BALANCE SHEET

as at 30 June 2003

(Expressed in United States dollars)

	Note	2003 US\$'000	2002 (restated) US\$'000	2003 HK\$'000	2002 (restated) HK\$'000
<b>Non-current assets</b>					
Fixed assets	15	232,897	255,778	1,816,131	1,995,043
Interest in associates	17	408,903	427,571	3,188,626	3,335,011
Interest in jointly controlled entities	18	(4,341)	(4,155)	(33,851)	(32,409)
Other non-current financial assets	19	89,589	89,406	698,615	697,358
Goodwill	20	(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>
<b>Current assets</b>					
Development properties	21	512,289	515,926	3,994,830	4,024,171
Properties held for sale	22	60,941	66,394	475,218	517,867
Other assets	23	62,246	94,318	485,394	735,671
Other investments in securities	24	333,728	1,593,365	2,602,411	12,428,088
Cash and short term funds	25	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>
<b>Current liabilities</b>					
Other payables and provisions	26	60,097	103,742	468,636	809,177
Current portion of bank loans and other borrowings	27	383,414	350,229	2,989,862	2,731,751
Insurance funds		3,606	3,108	28,120	24,242
Taxation	7(b)	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>
<b>Net current assets</b>		<u>3,423,564</u>	<u>3,474,933</u>	<u>26,696,953</u>	<u>27,104,131</u>
<b>Total assets less current liabilities</b>		<u>4,140,363</u>	<u>4,242,802</u>	<u>32,286,552</u>	<u>33,093,432</u>
<b>Non-current liabilities</b>					
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>
<b>Minority interests</b>	30	<u>214,020</u>	<u>208,156</u>	<u>1,668,928</u>	<u>1,623,596</u>
<b>NET ASSETS</b>		<u>3,701,557</u>	<u>3,577,730</u>	<u>28,864,743</u>	<u>27,905,937</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	31	163,606	162,041	1,275,800	1,263,904
Reserves	32	3,537,951	3,415,689	27,588,943	26,642,033
		<u>3,701,557</u>	<u>3,577,730</u>	<u>28,864,743</u>	<u>27,905,937</u>

Approved and authorised for issue by the Board of Directors on 17 October 2003

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

The notes on pages 44 to 89 form part of these financial statements.

# BALANCE SHEET

as at 30 June 2003

(Expressed in United States dollars)

	Note	2003 US\$'000	2002 US\$'000	2003 HK\$'000	2002 HK\$'000
<b>Non-current assets</b>					
Interest in subsidiaries	16	1,106,954	2,031,565	8,632,027	15,846,004
Interest in associates	17	—	11,416	—	89,044
Other non-current financial assets	19	203	203	1,583	1,583
		<u>1,107,157</u>	<u>2,043,184</u>	<u>8,633,610</u>	<u>15,936,631</u>
<b>Current assets</b>					
Other assets	23	2,174	1,393	16,953	10,865
Cash and short term funds	25	2,526,273	1,505,828	19,699,877	11,745,308
		<u>2,528,447</u>	<u>1,507,221</u>	<u>19,716,830</u>	<u>11,756,173</u>
<b>Current liabilities</b>					
Amounts due to subsidiaries		273,172	250,907	2,130,195	1,957,050
Other payables and provisions	26	7,333	9,138	57,182	71,274
Taxation	7(b)	9,888	2,719	77,107	21,208
		<u>290,393</u>	<u>262,764</u>	<u>2,264,484</u>	<u>2,049,532</u>
<b>Net current assets</b>		<u>2,238,054</u>	<u>1,244,457</u>	<u>17,452,346</u>	<u>9,706,641</u>
<b>Total assets less current liabilities</b>		<u>3,345,211</u>	<u>3,287,641</u>	<u>26,085,956</u>	<u>25,643,272</u>
<b>Non-current liabilities</b>					
Deferred taxation	29	—	2,564	—	20,000
<b>NET ASSETS</b>		<u>3,345,211</u>	<u>3,285,077</u>	<u>26,085,956</u>	<u>25,623,272</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	31	163,606	162,041	1,275,800	1,263,904
Reserves	32	3,181,605	3,123,036	24,810,156	24,359,368
		<u>3,345,211</u>	<u>3,285,077</u>	<u>26,085,956</u>	<u>25,623,272</u>

Approved and authorised for issue by the Board of Directors on 17 October 2003

**Kwek Leng Hai**

**James Eng, Jr.**

*Directors*

The notes on pages 44 to 89 form part of these financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2003  
(Expressed in United States dollars)

	2003 US\$'000	2002 US\$'000	2003 HK\$'000	2002 HK\$'000
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>

The notes on pages 44 to 89 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2003

(Expressed in United States dollars)

	Note	2003		2002	
		US\$'000	US\$'000	(restated) US\$'000	(restated) US\$'000
<b>Operating activities</b>					
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)	
<b>Operating profit before changes in working capital</b>		<b>123,099</b>		<b>148,338</b>	
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	
<b>Cash generated from operations</b>		<b>1,394,367</b>		<b>19,174</b>	
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)	
<b>Net cash from operating activities</b>			<b>1,465,077</b>		<b>97,961</b>

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2003  
(Expressed in United States dollars)

	Note	2003		2002	
		US\$'000	US\$'000	(restated) US\$'000	(restated) US\$'000
<b>Investing activities</b>					
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	
<b>Net cash from/(used in) investing activities</b>			<b>32,367</b>		<b>(32,190)</b>
<b>Financing activities</b>					
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)	
<b>Net cash used in financing activities</b>			<b>(240,241)</b>		<b>(1,348,097)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			<b>1,257,203</b>		<b>(1,282,326)</b>
Cash and cash equivalents at 1 July	25		1,675,898		2,959,707
Effect of foreign exchange rates			(149)		(1,483)
Cash and cash equivalents at 30 June	25		<u>2,932,952</u>		<u>1,675,898</u>

The notes on pages 44 to 89 form part of these financial statements.

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 1 BASIS OF PRESENTATION

### (a) Statement of compliance

Although not required to do so under the Bye-Laws of the Company, the financial statements of the Company and the Group are prepared so as to comply with the disclosure requirements of the Hong Kong Companies Ordinance, generally accepted accounting principles in Hong Kong and all applicable Statements of Standard Accounting Practice (“SSAP”) and Interpretations issued by the Hong Kong Society of Accountants. 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (a) Revenue recognition (Cont'd)

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (b) Investments (Cont'd)

#### (i) *Investment in securities (Cont'd)*

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)).

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (c) Goodwill

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

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

Negative goodwill arising on acquisitions of controlled subsidiaries, associates and jointly controlled entities represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. 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.

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

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

### (e) Investment properties

Investment properties with an unexpired lease terms of more than 20 years are stated 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.



## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (h) Impairment of assets (Cont'd)

#### (i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where 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.

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (l) Deferred taxation

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

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

### (m) Insurance 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (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.

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (t) Segment reporting (Cont'd)

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
	\$'000	\$'000
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>

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 4 OTHER REVENUE AND NET INCOME

### (a) Other revenue

	The Group	
	2003	2002
	\$'000	\$'000
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>
	<u><u>2,665</u></u>	<u><u>1,994</u></u>

### (b) Other net income

	The Group	
	2003	2002
	\$'000	\$'000
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>
	<u><u>113,080</u></u>	<u><u>142,518</u></u>

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 5 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at

	The Group	
	2003	2002
	\$'000	\$'000
<i>after charging:</i>		
Staff costs (including retirement scheme contributions of \$890,000 (2002: \$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>
<i>and crediting:</i>		
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>

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 6 FINANCE COST

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

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

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.

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 7 TAXATION (Cont'd)

(b) Taxation in the balance sheet represents:

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

## 8 DIRECTORS' REMUNERATION

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

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

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

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

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.



# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 8 DIRECTORS' REMUNERATION (Cont'd)

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

	The Group	
	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	—
	<u>10</u>	<u>10</u>

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

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

	The Group	
	2003 Number of individuals	2002 Number of individuals
\$		
250,001 - 300,000	1	—
500,001 - 550,000	1	2
	<u>2</u>	<u>2</u>

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of \$97,523,000 (2002: \$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 been 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 \$44.7 million (2002: \$37.6 million), other assets decreased by \$0.6 million (2002: \$0.6 million), and other payables and provisions reduced by \$45.3 million (2002: \$38.2 million). The new accounting policy has been adopted retrospectively and the comparative information has been restated to conform with the current year's presentation.

## 12 DIVIDENDS

	The Group and the Company	
	2003 \$'000	2002 \$'000
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

The proposed final dividend for the year ended 30 June 2003 of \$29,373,000 (2002: \$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.

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 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 \$157,096,000 (2002: \$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 \$157,076,000 (2002: \$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 Number of shares	2002 Number 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	1,820,890	3,658,823
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>327,660,400</u>	<u>370,762,460</u>

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 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 \$'000	Property development \$'000	Property investment \$'000	Securities, commodities and brokerage \$'000	Insurance \$'000	Inter- segment elimination \$'000	Total \$'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>

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 14 SEGMENT INFORMATION (Cont'd)

### Business segments (Cont'd)

#### Revenue and expenses (Cont'd)

For the year ended 30 June 2002

	Treasury, fund and investment management \$'000	Property development \$'000	Property investment \$'000	Securities, commodities and brokerage \$'000	Insurance \$'000	Inter- segment elimination \$'000	Total \$'000
Turnover	92,057	126,024	19,122	6,988	23,297	—	267,488
Inter-segment turnover	12,639	—	818	1,915	412	(15,784)	—
	<u>104,696</u>	<u>126,024</u>	<u>19,940</u>	<u>8,903</u>	<u>23,709</u>	<u>(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>

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 14 SEGMENT INFORMATION (Cont'd)

### Business segments (Cont'd)

#### Assets and liabilities

	Treasury, fund and investment management \$'000	Property development \$'000	Property investment \$'000	Securities, commodities and brokerage \$'000	Insurance \$'000	Total \$'000
<i>As at 30 June 2003</i>						
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						4,618,955
Segment liabilities	17,325	326,249	5,039	8,553	9,914	367,080
Unallocated liabilities						336,298
Total liabilities						703,378
<i>As at 30 June 2002</i>						
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)						4,713,770
Segment liabilities (restated)	12,176	363,077	7,599	9,082	24,304	416,238
Unallocated liabilities						511,646
Total liabilities (restated)						927,884

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 14 SEGMENT INFORMATION (Cont'd)

### Business segments (Cont'd)

#### Other information

	Treasury, fund and investment management \$'000	Property development \$'000	Property investment \$'000	Securities, commodities and brokerage \$'000	Insurance \$'000	Total \$'000
<b>2003</b>						
Capital expenditure incurred during the year	636	184	49	644	400	1,913
Depreciation and amortisation for the year	(119)	208	—	630	511	1,230
<b>2002</b>						
Capital expenditure incurred during the year	2,738	32	—	650	292	3,712
Depreciation and amortisation for the year	1,554	218	—	533	560	2,865

### Geographical segments

	Turnover		Operating profit/(loss)	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
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	1,164	1,043	34	1,042
	<u>299,736</u>	<u>267,488</u>	<u>186,358</u>	<u>209,117</u>
	Segment assets		Capital expenditure	
	2003	2002	2003	2002
	\$'000	(restated) \$'000	\$'000	\$'000
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	168,486	219,661	—	—
	<u>4,618,955</u>	<u>4,713,770</u>	<u>1,913</u>	<u>3,712</u>

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 15 FIXED ASSETS

	The Group			
	Investment properties \$'000	Freehold and leasehold premises \$'000	Furniture, fixtures and equipment \$'000	Total \$'000
<i>Cost or valuation:</i>				
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
As at 30 June 2003	215,480	23,624	10,298	249,402
Representing:				
Cost	—	23,624	10,298	33,922
Valuation - 30 June 2003	215,480	—	—	215,480
	215,480	23,624	10,298	249,402
<i>Accumulated depreciation:</i>				
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
As at 30 June 2003	—	9,758	6,747	16,505
<i>Net book value:</i>				
As at 30 June 2003	215,480	13,866	3,551	232,897
As at 30 June 2002	235,251	16,230	4,297	255,778

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

	The Group	
	2003 \$'000	2002 \$'000
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
	229,346	251,481

- (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 \$74 million (2002: \$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 \$215,480,000 (2002: \$235,251,000).



# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 16 INTEREST IN SUBSIDIARIES

	The Company	
	2003	2002
	\$'000	\$'000
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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 16 INTEREST IN SUBSIDIARIES (Cont'd)

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the		Principal activities
		Company	Group	
A-Z Holdings Pte Ltd	27,000,000 shares of S\$1 each	—	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
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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 16 INTEREST IN SUBSIDIARIES (Cont'd)

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the		Principal activities
		Company	Group	
First 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
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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 16 INTEREST IN SUBSIDIARIES (Cont'd)

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

Name of Company	Issued and paid up ordinary share capital	Company	Percentage held by the 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
My Home Online Pte Ltd	10 shares of S\$1 each	—	37	Provider of internet commerce services

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 16 INTEREST IN SUBSIDIARIES (Cont'd)

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the		Principal activities
		Company	Group	
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	Percentage held by the		Principal activities
			Company	Group	
Beijing Minghua Property Development Co., Ltd. (Note(i))	The People's Republic of China	RMB 200,000,000 (Note (ii))	—	46	Property development
DH Capital Management (BVI) Limited (Note (iii))	British Virgin Islands	2 shares of US\$1 each	100	—	Investment holding
Dynamic Sources Group Limited (Note (iii))	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
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 (Note (iii))	Bermuda	120,000 shares of US\$0.10 each	100	—	Investment holding

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 16 INTEREST IN SUBSIDIARIES (Cont'd)

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

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the		Principal activities
			Company	Group	
GL Holdings Limited (Note (iii))	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 (Note (iii))	British Virgin Islands	1 share of US\$1 each	—	100	Investment holding
Shanghai Xin Hao Zhong Property Development Co., Ltd. (Note (i))	The People's Republic of China	RMB 165,729,917 (Note (ii))	—	60	Property development
Scorewell Corporation (Note (iii))	British Virgin Islands	1 share of US\$1 each	—	100	Investment holding
W.C.H. Limited (Notes (iii) and (iv))	British Virgin Islands	500,000 shares of HK\$1 each	—	100	Property investment
Wanchai Property Investment Limited (Notes (iii) and (iv))	British Virgin Islands	500,000 shares of HK\$1 each	—	100	Property investment
Supreme Goal Investments Limited (Note (iii))	British Virgin Islands	1 share of US\$1 each	—	100	Property investment
Capital Intelligence Limited (Note (iii))	Cayman Islands	1 share of US\$1 each	100	—	Investment trading
Checkenden Limited	British Virgin Islands	2 shares of US\$1 each	—	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.

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 17 INTEREST IN ASSOCIATES

	The Group		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
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	<u>(68,051)</u>	<u>(68,519)</u>	<u>—</u>	<u>—</u>
	<u><u>408,903</u></u>	<u><u>427,571</u></u>	<u><u>—</u></u>	<u><u>11,416</u></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	The 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
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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 18 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2003	2002
	\$'000	\$'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)
	(4,341)	(4,155)

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 (Note)	British Virgin Islands	2 shares of US\$1 each	50	Investment holding
Regal Trophy Limited (Note)	British Virgin Islands	20 shares of US\$1 each	25	Investment holding
World Glory Properties Limited	Hong Kong	2 shares of HK\$1 each	25	Property development

*Note:* These companies are operating in Hong Kong.



# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 19 OTHER NON-CURRENT FINANCIAL ASSETS

	The Group		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
<b>Investment securities</b>				
<i>Equity securities</i>				
- 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>
<i>Club and other debentures</i>	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 \$76.2 million (2002: \$75.9 million) were pledged with a bank to secure short-term bank loan facilities.

## 20 GOODWILL

	The Group Negative goodwill \$'000
<i>Cost:</i>	
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>
<i>Accumulated amortisation:</i>	
At 1 July 2002	(81)
Amortisation for the year	<u>(3,027)</u>
At 30 June 2003	<u>(3,108)</u>
<i>Carrying amount:</i>	
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.

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 21 DEVELOPMENT PROPERTIES

	The Group	
	2003	2002
	\$'000	\$'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 \$315.5 million (2002: \$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 \$477.7 million (2002: \$474.2 million) are under legal mortgages with banks.

## 22 PROPERTIES HELD FOR SALE

	The Group	
	2003	2002
	\$'000	\$'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	2002	2003	2002
		(restated)		
	\$'000	\$'000	\$'000	\$'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 \$11.3 million (2002: \$0.9 million) which are expected to be recovered after more than one year.

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 24 OTHER INVESTMENTS IN SECURITIES

	The Group	
	2003	2002
	\$'000	\$'000
<i>Debt securities</i>		
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>
<i>Equity securities</i>		
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>
<i>Unit trust</i>		
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>

*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 \$67.1 million were pledged with a bank to secure short-term bank loan facilities).

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 25 CASH AND SHORT TERM FUNDS

	The Group		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'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
Cash and cash equivalents in the balance sheet and cash flow statement	2,932,952	1,675,898	2,526,273	1,505,828

## 26 OTHER PAYABLES AND PROVISIONS

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

Included in other payables of the Group and the Company are amounts of \$5.3 million (2002: \$5.0 million) and \$1.4 million (2002: \$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
	\$'000	\$'000	\$'000	\$'000
Bank loans				
- Secured (Note)	259,028	181,289	—	—
- Unsecured	61,966	92,645	—	—
	320,994	273,934	—	—
Unsecured long term notes and bonds repayable within 1 year	62,420	76,295	—	—
	383,414	350,229	—	—

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).

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

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

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

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 \$'000	Other borrowings \$'000	Total \$'000	Bank loans \$'000	Other borrowings \$'000	Total \$'000
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
	154,804	61,071	215,875	354,872	89,172	444,044
	475,798	123,491	599,289	628,806	165,467	794,273

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 29 DEFERRED TAXATION

Movements in deferred taxation comprise:

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

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

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

- (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 \$12,056,000 (2002: \$5,440,000).

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 31 SHARE CAPITAL

	The Group and the Company			
	2003	2003	2002	2002
	No. of		No. of	
	shares		shares	
	'000	\$'000	'000	\$'000
<i>Authorised:</i>				
Ordinary shares of US\$0.50 each	1,000,000	500,000	1,000,000	500,000
<i>Issued and fully paid:</i>				
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 \$8,160,000 (2002: \$10,400,000) of which \$1,565,000 (2002: \$1,995,000) was credited to share capital and the balance of \$6,595,000 (2002: \$8,405,000) was credited to the share premium account.

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 32 RESERVES

### (a) The Group

	Share premium \$'000	Investment property revaluation reserve \$'000	Capital and other reserves \$'000	Contributed surplus \$'000	General reserve \$'000	Exchange translation reserve \$'000	Retained profits \$'000	Total \$'000
At 1 July 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	6,595	—	78,771	3,978	—	14,089	3,434,518	3,537,951
Retained in:								
- Company and subsidiaries								3,442,150
- Associates								111,503
- Jointly controlled entities								(15,702)
								3,537,951



# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 32 RESERVES (Cont'd)

### (a) The Group (Cont'd)

	Share premium \$'000	Investment property revaluation reserve \$'000	Capital and other reserves \$'000	Contributed surplus \$'000	General reserve \$'000	Exchange translation reserve \$'000	Retained profits \$'000	Total \$'000
At 1 July 2001	236,092	26,398	45,861	18,417	77,042	6,016	3,493,456	3,903,282
Shares issued under 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	—	—	58,837	3,978	—	9,736	3,343,138	3,415,689
Retained in:								
- Company and subsidiaries								3,397,259
- Associates								34,156
- Jointly controlled entities								(15,726)
								3,415,689

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 32 RESERVES (Cont'd)

### (b) The Company

	Share premium \$'000	Investment property revaluation reserve \$'000	Capital and other reserves \$'000	Contributed surplus \$'000	General reserve \$'000	Exchange translation reserve \$'000	Retained profits \$'000	Total \$'000
At 1 July 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:

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

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

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

- (iv) Distributable reserves of the Company as at 30 June 2003 amounted to \$3,175,010,000 (2002: \$3,123,036,000).

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 33 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Acquisition of subsidiaries

	The Group	
	2003	2002
	\$'000	\$'000
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	<u>(3,770)</u>	<u>—</u>
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

	2003	2002
	\$'000	\$'000
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>

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 33 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

### (c) Disposal of subsidiaries

	The Group	
	2003	2002
	\$'000	\$'000
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>	<u>—</u>
Profit on disposal of subsidiaries	18,013	—
	<u>78,811</u>	<u>—</u>
Satisfied by:		
Cash received	78,811	—
	<u>78,811</u>	<u>—</u>

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

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

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

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 35 EQUITY COMPENSATION BENEFITS (Cont'd)

### (d) Details of share options exercised during the year

Exercise date	Exercise price	Market value per share on exercise date	Proceeds received \$'000	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.

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 36 POST BALANCE SHEET EVENT

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 GuocoLand 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 \$40,124,000 (2002: \$41,590,000) and \$21,159,000 (2002: \$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
	\$'000	\$'000
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
	\$'000	\$'000
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.

# NOTES ON THE FINANCIAL STATEMENTS

(Expressed in United States dollars)

## 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 \$'000	2002 \$'000
Interest income	<u>1,111</u>	<u>1,318</u>

#### (ii) Balance as at 30 June

	The Group	
	2003 \$'000	2002 \$'000
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 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 \$5.6 million (2002: \$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 \$0.9 million to the scheme (2002: \$0.9 million).



# NOTES ON THE FINANCIAL STATEMENTS

*(Expressed in United States dollars)*

## 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 sq. m	Gross floor area sq. m	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

## NOTICE OF ANNUAL GENERAL MEETING

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**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 adjourned meeting 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.