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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
Tan Lim Heng
James Eng, Jr.
Harry Richard Wilkinson
Volker Stoeckel

COMPANY SECRETARY

Stella Lo Sze Man

BRANCH SHARE REGISTRARS

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REGISTERED ADDRESS

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PRINCIPAL OFFICE

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

INTERNET WEBSITES OF OTHER SUBSIDIARIES AND ASSOCIATES

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 Insurance Co., Limited
(<http://www.daohenginsurance.com>)

FINANCIAL CALENDAR

Annual results announcement	15 September 2004
Closure of Register of Members	12 October 2004 to 15 October 2004
Annual General Meeting	15 October 2004
Final dividend of HK\$2.60 per share payable on	18 October 2004
Interim results announcement	11 March 2004
Closure of Register of Members	30 March 2004 to 2 April 2004
Interim dividend of HK\$0.40 per share paid on	6 April 2004

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Quek Leng Chan, aged 61, has been the Executive Chairman of Guoco Group Limited (“Guoco”) since 1990. He is also the Executive Chairman of the Hong Leong Group Malaysia and sits on the Boards of its major public listed companies. Mr Quek qualified as 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 Hong Leong Company (Malaysia) Berhad (“HLCM”), the ultimate holding company, and HL Holdings Sdn Bhd, a substantial shareholder of Guoco. He is a brother of Messrs Kwek Leng Hai and Kwek Leng San.

Kwek Leng Hai, aged 51, is the President and CEO of Guoco and has been an Executive Director of Guoco since 1990. He is also a director of the Group’s key related companies including GuocoLand Limited (“GLL”) 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 HLCM. He is a brother of Messrs Quek Leng Chan and Kwek Leng San.

Sat Pal Khattar, aged 61, has been an Independent Non-executive Director of Guoco since 1991. Mr Khattar obtained a LL.M degree and a LL.B (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 holds directorships in other public and private companies in Singapore and elsewhere.

Kwek Leng San, aged 49, has been a Non-executive Director of Guoco since 1990. 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 HLCM. He is a brother of Messrs Quek Leng Chan and Kwek Leng Hai.

Tan Lim Heng, aged 56, joined Dao Heng Securities Limited and Dao Heng Commodities Limited, wholly owned subsidiaries of Guoco, as the Managing Director in 1990, and has been an Executive Director of Guoco since 1996. 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 honour degree in engineering from University of Surrey and a Master of Science degree in management from Massachusetts Institute of Technology. He had also previously worked in Geneva in 1974 with the United Nations Conference on Trade and Development. Prior to joining Guoco, 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. Mr Tan has extensive experience in property investment, financial and investment management services.

James Eng, Jr., aged 62, joined Guoco Management Company Limited, a wholly owned subsidiary of Guoco, in 1994 as an executive director, responsible for all Group staff support function for Guoco, and was appointed as an Executive Director of Guoco in 2001. Prior to 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 61, has been an Independent Non-executive Director of Guoco since 1997. 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.

Volker Stoeckel, aged 59, was appointed as an Independent Non-executive Director of Guoco in May 2004. He is a banker and has worked in various senior banking positions in Hong Kong and Asia over the last 22 years. He is currently the Chairman, CEO of German Centre Ltd Hong Kong and German Centre For Industry and Trade Shanghai Co. Ltd. Before that, he was the Chief Executive Asia Pacific of Bayerische Landesbank. Mr Stoeckel has wide experience in Asia relating to capital market transactions, corporate finance, project finance, infrastructure projects, mergers and acquisition, treasury and securities business and real estate finance. He graduated from the University of Munich in economics and also has a diploma in banking.

I am pleased to report improved results achieved in the challenging circumstances in the year to June 2004. During the period we saw the US-Iraq war with the hostilities that followed and the revival of positive sentiment in Asia after the debilitating effects of SARS and a return to stronger-than-expected global growth. Asian markets were prime beneficiaries and witnessed major fund flows into the region. However, optimism began to fade in the last few months on the prospect of rising U.S. interest rates. Market confidence also declined due to continued geo-political tensions in the Middle East, high oil prices, fear of an excessive slowdown in Japan and a possible economic hard landing in the PRC. All markets gave back some of the earlier gains.

The investment discipline and risk processes which we had implemented permitted the Group to make progress during this rather turbulent period. Encouraged by the favourable conditions at the beginning of the financial year, the Group invested in portfolio and strategic investment opportunities. This was reflected in the substantial improvement in the contribution from treasury, fund and investment management activities of the Group as compared with the previous year.

FINANCIAL RESULTS

The consolidated profit attributable to shareholders, after taxation and minority interests amounted to HK\$2,440 million, representing an increase of 99% over that of last year. Earnings per share rose 98% to HK\$7.43.

The Board of Directors will recommend the payment of a final dividend of HK\$2.60 per share at the forthcoming Annual General Meeting. This together with the interim dividend of HK\$0.40 per share paid during the year makes a total dividend of HK\$3.00 per share. Total dividend for the year amounted to HK\$987 million, representing a substantial increase of 174% as compared with the previous year.

STREAMLINING AND RESTRUCTURING INITIATIVES

A core objective of the Company is to create sustainable Prime Value through active enhancement of its operating entities. We define Prime Value as the creation of capital value appreciation as a result of enhancement of intrinsic value in our underlying investments. In pursuit of this objective, the Group continued to streamline and restructure its corporate organisations and operations to optimize resources, and where appropriate, divest non-core assets. During the year, GuocoLand Limited ("GLL") has rationalized and consolidated the Group's property and property-related activities and Hong Leong Credit Berhad ("HLCB") has transformed itself into a financial group.

During July 2003, HLCB completed its capital distribution of its 45% interests in Hong Leong Properties Berhad ("HLPB"). The residual HLPB shares held after the demerger exercise were disposed of in August 2003. The exercise enabled HLCB to transform itself into a financial group and at the same time provided an opportunity for the HLCB shareholders to participate directly in HLPB's equity while preserving the intrinsic value of HLCB.

STREAMLINING AND RESTRUCTURING INITIATIVES (Cont'd)

Additional strategic initiatives were undertaken during the year to develop further GLL as the Group's property arm. The Company consolidated its 28.3% interests in HLPB into GLL in consideration of new shares issued by GLL. The acquisition of a substantial interest in HLPB established Malaysia as a new property centre for GLL. This contributes to GLL's transformation into a regional property company with embedded market teams in major property centres, namely Singapore, China and Malaysia.

GLL accepted a cash offer from GE Capital Group to dispose of its 34.5% interest and GBP12.5 million Irredeemable Convertible Unsecured Loan Stock in its London listed associated company, Benchmark Group PLC ("Benchmark"). Considering the UK property cycle, GLL crystallized its Benchmark investment and realised a net profit of approximately S\$70.44 million in the financial year ended 30 June 2004.

The Group divested its entire interest in Dao Heng Fund Management Limited ("DHFM") but retained its core investment team. DHFM was sold at a multiple in excess of 8 times book value while its key investment team was retained to contribute to the Group's future growth.

TREASURY AND INVESTMENT ACTIVITIES

The Company's vision is to achieve superior, long-term sustainable shareholders return by investing in global capital markets and in core businesses and industries with an Asian focus where our management knowledge and competencies can create Prime Value. Management's mission is to create an efficient investment organization to achieve this vision. We recognize that market conditions may also require shorter term portfolio investments to enhance the treasury returns on the Group's investable funds.

Financial markets in the last twelve months were characterized by double-digit gains in most equity markets and substantial strengthening of non-US dollar currencies. To sustain the Group's Mission and to create Prime Value for shareholders, additional resources are being allocated to strengthen our investment infrastructure and to continue to evolve a synergistic investment process. This will enhance the competence of our investment teams and refine our risk management infrastructure to cater for development and expansion of our treasury and investment activities.

CORPORATE GOVERNANCE

The upholding of high standards of corporate governance is continuously instilled in our corporate culture where Financial Management Excellence and Investment Management Discipline are periodically reviewed and assiduously pursued. We have in place processes and structures by which the business and affairs of the Company are managed to increase long-term shareholders' value through enhancing corporate performance and accountability. Continuous efforts are also made to reinforce the Group's various controls and procedures in light of regulatory requirements and international developments to instill best practices and to protect the interest of all shareholders and the reputation of the Company.

OUTLOOK

While the current macro environment appears to be supported by global growth, the outlook is less certain given the prospect of rising interest rates and other challenges facing the US and the global markets. Further, a slow down in the China and Japan economies and persistent high oil prices continue to contribute to the world's economic vulnerability to major financial imbalances and uncertainties. The US has for quite some time shouldered the responsibility as the main driver of the global economy. China is now emerging as another global growth engine with increasing influence on the rest of the world. Our Group is well positioned to respond swiftly to any break in recovery. We will remain vigilant for investment opportunities that meet our exacting standards. The Company has been transformed over time. Effective management of its substantial cash and near-cash assets has become the Board's biggest challenge. The investment income which is based on marking investment assets to market in line with accounting standards may not always be predictable. Nevertheless, the Board will always try to achieve optimum returns for its shareholders.

APPRECIATION

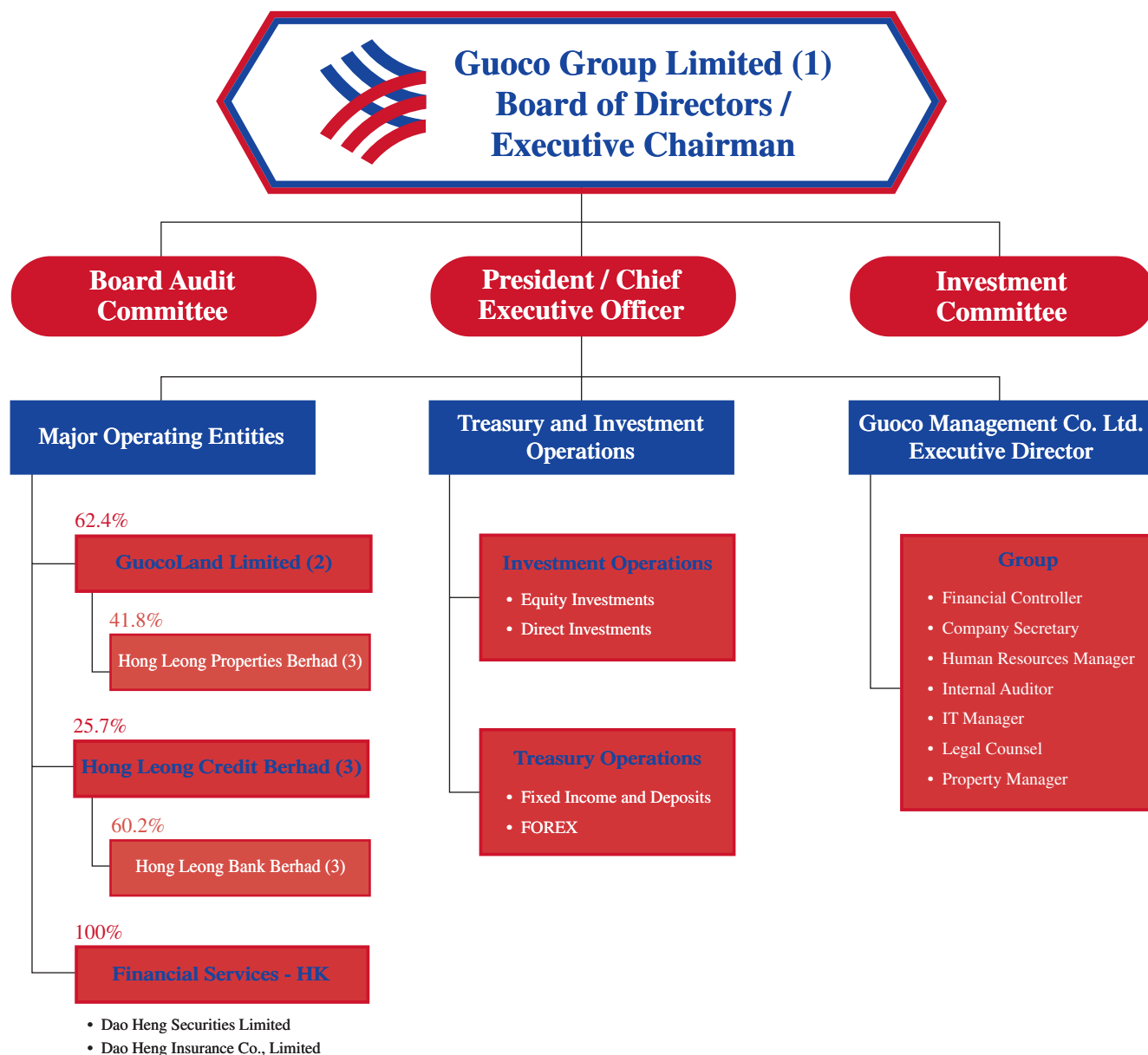
During the financial year, Kuwait Investment Office ("KIO") sold its investment in the Company and accordingly its two representatives on the Board, Messrs Peter Wakefield and Jamal Al-Babtain, resigned from the Board. I wish to take this opportunity to record our appreciation to KIO and their representatives for their valuable contributions and support to the Company over the past years.

I again thank my fellow directors for their meaningful guidance and support. To the management team and employees I express my appreciation for their wholehearted cooperation in meeting the challenges involved in transforming the Group to what it is today. Finally, I thank our customers, bankers and shareholders for their confidence and continued support as the Group undertakes the actions necessary to succeed as it progresses to the next stage of its development.

Quek Leng Chan
Executive Chairman

15 September 2004

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 (<http://www.guocoland.com.sg>)
- Hong Leong Properties Berhad (<http://www.mystorey.com>)
- Hong Leong Bank Berhad (<http://www.hlb.com.my>)
(Subsidiary of Hong Leong Credit Berhad)

TREASURY AND INVESTMENT STRATEGIES

The Investment Committee has been mandated by the Board to oversee and direct the Group's investment process and to regularly review its risk related policies and controls. Investment policies and parameters are in place to govern core investment, time deposits, money market instruments, fixed income, equities and other financial instruments. The Group also adopted stringent concentration risk control guidelines to limit country risk, counterparty, currency and duration. Regular audits performed by the internal audit department further ensure compliance with these policies, procedures and regulatory requirements.

The twelve months to June 2004 was a rewarding but volatile period for equity investments. The revival of sentiment in Asia and a return to global growth provided much needed stimulus to stock markets. However, due to political and economic uncertainties in the last few months, most markets ended with some of the earlier gains depleted.

The Group continued to increase its resources in treasury and investment management during the year by expanding its team as well as by adding more research capabilities. Our disciplined approach was further refined with a more rigorous investment process and risk control in place.

While from time to time we would engage in portfolio trading for a shorter term investment horizon, our focus is to look for strategic under-valued or turnaround situations that can offer relatively low risk but yet substantial long-term returns. During the year, the Investment Committee concentrated its attention in Asia Pacific, as it believed this region offered the best potential. After performing due diligence and in most cases specific company visits, investments were made in a number of interesting situations in selective countries with satisfactory returns achieved during the year.

Financial markets are faced with a number of uncertainties including rising interest rates, high oil prices and a managed slow down of the China economy. This is likely to introduce more volatility to markets and we may encounter more challenges in the coming months. However, we believe there are under-valued situations in any market condition and it is the objective of the Investment Committee to identify such opportunities for the benefit of the Group.

PROPERTY DIVISION

GuocoLand Limited ("GLL") — 62.4% owned by the Group

GLL's revenue decreased by 18% to S\$300.1 million for the financial year ended 30 June 2004, mainly due to lower sales from its launched projects in Singapore. Despite the decrease in revenue, GLL reported a consolidated net profit of S\$120.0 million for the financial year ended 30 June 2004, an increase of 27% compared to the previous financial year.

GLL's cost of sales decreased by 24% to S\$255.9 million for the financial year ended 30 June 2004 due to lower sales and a write back of S\$18.3 million for foreseeable losses on its residential properties in Singapore and China compared to a S\$14.3 million provision for such losses in the previous financial year.

Other operating income amounted to S\$82.8 million, of which S\$70.4 million arose from the disposal of GLL's interests in Benchmark Group PLC ("Benchmark"). In the previous financial year, other operating income of S\$84.2 million included profits of S\$49.3 million from the disposal of its interest in an associate and a development site at Suzhou as well as a mark-to-market gain of S\$22.0 million on financial assets.

The increase in other operating expenses from S\$0.7 million to S\$18.6 million was mainly due to a revaluation loss of S\$9.1 million on investment properties, a mark-to-market loss of S\$4.8 million on financial assets and a provision of S\$3.9 million on long-term equity investments. Finance costs decreased by 36% to S\$6.6 million due to lower level of borrowings and lower interest rates.

GLL's associates contributed profit before tax of S\$23.0 million, a 6% decrease over the previous financial year. Profit contribution from associates was primarily from Benchmark.

GLL currently has eight launched developments on the market: Sanctuary Green, The Gardens at Bishan, Bishan Point, Le Crescendo, Leonie Studio, Nathan Place, The Ladyhill (in which GLL has 40% interest) and The Boulevard Residence (in which GLL has 40% interest). As at 19 August 2004, GLL has achieved sales of 54% in Sanctuary Green, 94% in The Gardens at Bishan, 90% in Bishan Point, 41% in Le Crescendo, 5% in Leonie Studio, 78% in Nathan Place, 49% in The Ladyhill and 22% in The Boulevard Residence. GLL recently entered into a conditional collective sale and purchase agreement to acquire Greenacres Condominium which can be redeveloped into a residential condominium subject to, inter alia, completion of the purchase and the relevant planning approvals being obtained.

In China, the sales permits for two blocks of condominium units in Central Park development in Shanghai had been obtained and GLL is working towards launching sales when the sales permit for the remaining block is obtained.

Resettlement is in progress at a land parcel in the Feng Sheng area district, within the Xicheng District of Beijing, where GLL has signed a conditional agreement to acquire a 98% interest in the site which is primarily for residential development. As certain terms in a conditional agreement to acquire the development rights to a residential land parcel located at the Fifth Mile of Zhenwumiao in Beijing had not been satisfied, the agreement had been terminated and the vendor had refunded all monies paid thereunder.

GLL is focused on enhancing and strengthening its presence in its core business centres of Singapore, China and Malaysia. It will build upon its existing businesses and strive to deliver sustainable and attractive returns to shareholders. In addition to its embedded property operations in these centres, GLL will continue to look for other real estate opportunities such as property fund management to enhance its earnings.

FINANCIAL INDUSTRY GROUP

Hong Leong Credit Berhad (“HLCB”) — 25.7% owned by the Group

HLCB Group recorded a lower pre-tax profit of MYR719.0 million as compared to MYR802.7 million in the previous year. However, profit after tax and minority interest increased by 3.8%, from MYR374.2 million in the previous year to MYR388.5 million in the current year. This was mainly due to higher investment profits and surplus distribution from the insurance division, a return to profitability of the stockbroking division as well as a gain on a deemed disposal of shares, recognized for at HLCB Group level as a result of a special issue of shares to Bumiputra investors by the banking subsidiary.

The banking and finance division recorded a pre-tax profit of MYR528.7 million, a decline of MYR273.2 million as compared to MYR801.9 million in the previous corresponding year. Turnover declined by MYR90.2 million as a result of the narrower interest margins earned as well as lower contribution from hire purchase business due to its declining loan base. Non-interest income recorded a marginal decline of MYR1.9 million despite the treasury losses of MYR32 million suffered as a result of the weakness in the bond market during the first quarter of the financial year due to higher commission and fee-based income. Loan loss provision increased by MYR155.8 million mainly due to provisions made for several restructured and rescheduled non-performing loans in the third quarter.

The insurance division registered a profit before tax of MYR124.1 million for the financial year ended 30 June 2004 compared to a profit before tax of MYR82.5 million for the previous corresponding financial year. This was principally due to higher gross premiums, which grew by 12% to MYR936 million as well as higher surplus transferred from the life business and better market sentiments, which resulted in higher gains on sales of investments.

The stockbroking division registered a profit before taxation of MYR30.7 million compared to a loss of MYR29.7 million in the previous financial year. Improved market turnover in the current year and a lower cost-base from the rightsizing of its operations in the previous financial year, enabled it to achieve improved results for the current financial year. Operating revenue increased to MYR88.4 million, an increase of 97.8% from MYR44.7 million in the previous financial year, on the back of a higher Bursa Malaysia turnover of MYR279.6 billion in the current financial year compared to MYR102.9 billion in the previous financial year.

Hong Kong Financial Services Subsidiaries

The Group’s Hong Kong financial services subsidiaries, Dao Heng Securities Limited (“DHS”) and Dao Heng Insurance Co., Limited (“DHI”) have emerged leaner and more productive after their rightsizing exercises, restructure of operations and transformation of business models to reposition themselves to meet the new business dynamics.

DHS faced the challenges brought on by brokerage commission deregulation and the revamped laws and regulations with further improvements in its Online brokerage trading service technology and capitalized on more corporate financial advisory work necessitated by the revised Listing Rules. Additional research services provided to its targeted core of high-net-worth clients proved successful to help them achieve better returns, and at the same time, increased turnover volume of DHS.

DHI continues to transform itself from a bancassurance business into a direct and broker/agent model by focusing its effort in the development of its own call center and new distribution channels. In May 2004, DHI won two prestigious Customer Relationship Excellence Awards from Asia Pacific Customer Service Consortium: the Best Use of Call Center Technology of the Year 2003 (Financial Services) in the corporate category and the Customer Relationship Management Director of the Year 2003 in the individual category.

To face the intense competition from bancassurance providers and major players going forward, DHI is refining its business model to achieve critical top line growth to sustain growth and profitability. This necessitates DHI strengthening its cross-selling/up-selling program to increase market share and customer loyalty, and to build open market business by enhancing its market presence amongst brokers and agents, and forming strategic business alliances for personal line business.

Going forward, the financial services subsidiaries will continue to build on their good track record and trusted names to make further inroads into their respective markets with the benefit of advanced technology and Group business networking relationship.

FINANCIAL COMMENTARY

Borrowings

By 30 June 2004, the Group had reduced its total borrowings by 5% to HK\$4,446 million from HK\$4,673 million as at 30 June 2003. Unsecured borrowing comprises 49% of total borrowings. All borrowings belonged to GLL and primarily represented GLL's property project loans.

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

	Bank loans	Other borrowings	Total
	HK\$'000	HK\$'000	HK\$'000
On demand or within 1 year	1,860,690	362,333	2,223,023
After 1 year but within 2 years	701,010	90,425	791,435
After 2 years but within 5 years	647,930	783,151	1,431,081
	<u>1,348,940</u>	<u>873,576</u>	<u>2,222,516</u>
	<u>3,209,630</u>	<u>1,235,909</u>	<u>4,445,539</u>

The loans are secured by the following:

- a. legal mortgages on investment properties with a book value of HK\$554 million;
- b. legal mortgages on development properties with a book value of HK\$2,889 million; and
- c. certain equity investments with total carrying value of HK\$440 million.

As at 30 June 2004, the Group has net cash balance of HK\$18,148 million after netting off the total borrowings of HK\$4,446 million.

Contingent liabilities

As at 30 June 2004, there were contingent liabilities in respect of guarantees given to bankers by the Company to secure banking facilities to the extent of HK\$161 million (2003: HK\$313 million by the Group and HK\$165 million by the Company) 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 2004 after adjusting for the major items set out below, amounted to HK\$30,682 million. The major adjustments are as follows:

- a. increase in share capital and share premium of HK\$38 million upon the exercise of share options during the year;
- b. share of subsidiaries' and associates' capital reserves movement of HK\$233 million; and
- c. net exchange difference of HK\$78 million.

HUMAN RESOURCES AND TRAINING

The Group, including its subsidiaries in Hong Kong and overseas, employed approximately 340 employees as at 30 June 2004. 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 approved 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
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
2003	4,620,094	703,573	3,702,501	157,193	0.14
2004	4,858,457	680,891	3,933,605	312,805	0.38

HK\$'000

Years	Total assets	Total liabilities	Shareholders' funds	Net profit after tax	Dividend per share
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
2003	36,027,500	5,486,464	28,872,108	1,225,789	1.10
2004	37,895,963	5,310,949	30,682,119	2,439,881	3.00

Notes:

- (a) The figures for 1995 to 2000 were before transfer to general reserve by banking subsidiaries.
- (b) The figures for 2000 and 2003 were restated due to change in accounting policies.
- (c) The figures for 2001 to 2004 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 2004.

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 investment and treasury management, property development and investment; stock and commodity broking; and insurance. The principal activities of the associates which materially affected the results of the Group during the year include banking and financing; insurance and stockbroking; property development; and merchant banking.

The analysis of the principal activities and geographical locations of operations of the Company and its subsidiaries during the year is set out in Note 16 on the financial statements.

FINANCIAL STATEMENTS

The consolidated net profit of the Group for the year ended 30 June 2004 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 36 to 90.

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	78%

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\$73,000 (2003: US\$81,000).

DIVIDENDS

An interim dividend of HK\$0.40 (2003: HK\$0.40) per share totalling HK\$131,621,000 (2003: HK\$130,885,000) was paid on 6 April 2004. The directors are recommending payment of a final dividend in respect of the year ended 30 June 2004 of HK\$2.60 (2003: HK\$0.70) per share totalling HK\$855,534,000 (2003: HK\$229,048,000).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 12 October 2004 to 15 October 2004, 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 11 October 2004.

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 had not redeemed, 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*

Tan Lim Heng

Harry Richard Wilkinson**

James Eng, Jr.

Volker Stoeckel**

(appointed with effect from 24 May 2004)

Jamal Al-Babtain*

(resigned with effect from 7 May 2004)

Tung Hsi Hui, Frank**

(resigned with effect from 14 November 2003)

Peter Anthony Wakefield*

(resigned with effect from 12 November 2003)

* *Non-executive director*

** *Independent non-executive director*

In accordance with the Company's Bye-Law 99, Messrs Sat Pal Khattar and James Eng, Jr. will retire from office by rotation at the forthcoming annual general meeting. In accordance with the Company's Bye-Law 102, Mr Volker Stoeckel shall hold office until the forthcoming annual general meeting. All of them, 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.

The Company received confirmation of independence in respect of the year ended 30 June 2004 from each of the independent non-executive directors pursuant to Rule 3.13 of the Listing Rules. Up to and as at the date of this report, the Company still considers the independent non-executive directors to be independent.

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

As at 30 June 2004, 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 or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of the Company ("Model Code") were disclosed as follows in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

(A) The Company

Director	Number of *shares/underlying shares (Long Position)			Approx. % of the issued share capital of the Company
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	1,656,325	231,086,229	232,742,554 <i>Note</i>	70.73%
Kwek Leng Hai	2,820,775	—	2,820,775	0.86%
Sat Pal Khattar	691,125	—	691,125	0.21%
Kwek Leng San	209,120	—	209,120	0.06%
Tan Lim Heng	559,230	—	559,230	0.17%
James Eng, Jr.	565,443	—	565,443	0.17%
Harry Richard Wilkinson	5,000	—	5,000	0.00%

* Ordinary shares unless otherwise specified in the Note

Note:

The total interests of 232,742,554 shares/underlying shares comprised 217,563,347 ordinary shares of the Company and 15,179,207 underlying shares of other unlisted derivatives.

The corporate interests of 231,086,229 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
GuoLine Overseas Limited ("GOL")	217,013,295
MPI (BVI) Limited ("MPI (BVI)")	327,575
Hong Leong (Netherlands Antilles) N.V. ("HLNA")	7,320,359
Guoinvest International Limited ("Guoinvest")	6,425,000

MPI (BVI) was wholly owned by Malaysian Pacific Industries Berhad which was 56.11% owned by Hong Leong Industries Berhad which was in turn 58.99% owned by Hong Leong Company (Malaysia) Berhad ("HLCM"). GOL, HLNA and Guoinvest were wholly owned by GuoLine Capital Assets Limited which was in turn wholly owned by HLCM. HLCM was 49.11% owned by Mr Quek Leng Chan (2.43%) and HL Holdings Sdn Bhd (46.68%) which was in turn wholly owned by Mr Quek Leng Chan.

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

(B) Associated Corporations

a) Hong Leong Company (Malaysia) Berhad ("HLCM")

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of HLCM
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	390,000	7,487,100	7,877,100 <i>Note</i>	49.11%
Kwek Leng Hai	400,500	—	400,500	2.50%
Kwek Leng San	97,500	—	97,500	0.61%

* Ordinary shares

Note:

The corporate interest of 7,487,100 shares was held by HL Holdings Sdn Bhd which was in turn wholly owned by Mr Quek Leng Chan.

b) GuocoLand Limited ("GLL")

Director	Number of *shares (Long Position)			Notes	Approx. % of the issued share capital of GLL
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	14,047,224	458,785,229	472,832,453	1	69.99%
Kwek Leng Hai	18,851,140	—	18,851,140		3.09%
Sat Pal Khattar	5,000,000	5,392,362	10,392,362	2	1.54%
Volker Stoeckel	100,000	—	100,000		0.01%

* Ordinary shares

Notes:

- The corporate interests of 458,785,229 shares comprised the respective direct interests held by:

	Number of shares
Hong Leong Consultancy Services Sdn Bhd ("HLCS")	44,045,989
Guoco Investment Pte Ltd ("GIPL")	345,696,942
Asia Fountain Investment Company Limited ("AFI")	69,042,298

GIPL and AFI were wholly owned subsidiaries of the Company. HLCS was wholly owned by Hong Leong Management Co Sdn Bhd which was in turn wholly owned by Hong Leong Company (Malaysia) Berhad ("HLCM"). The respective controlling shareholders of the Company and HLCM as well as their respective percentage controls are shown in the Note under Part (A) above.

- The corporate interests of 5,392,362 were directly held by Khattar Holdings Pte Ltd which was 0.61% owned by Mr Sat Pal Khattar and was accustomed to act according to his directions.

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

(B) Associated Corporations (Cont'd)

c) Hong Leong Credit Berhad ("HLCB")

Director	Number of *shares/underlying shares (Long Position)				Approx. % of the issued share capital of HLCB
	Personal interests	Corporate interests	Total interests	Notes	
Quek Leng Chan	11,046,600	821,053,254	832,099,854	1	79.95%
Kwek Leng Hai	916,800	—	916,800	2	0.09%
Tan Lim Heng	245,700	—	245,700		N/A

* Ordinary shares unless otherwise specified in the Notes

Notes:

- The total interests of 832,099,854 shares/underlying shares comprised 824,870,154 ordinary shares of HLCB and 7,229,700 underlying shares of other unlisted derivatives.

The corporate interests of 821,053,254 shares comprised the respective direct interests held by:

	Number of shares/underlying shares
Hong Leong Company (Malaysia) Berhad ("HLCM")	546,476,568
Hong Leong Management Co Sdn Bhd ("HLMC")	263,440
Hong Leong Nominees Sendirian Berhad ("HLN")	3,600
Guoinvest International Limited ("Guoinvest")	7,229,700
Guoco Investments (Bermuda) Limited ("GIB")	41,686,700
Guoco Assets Sdn Bhd ("GASB")	225,393,246

GIB and GASB were wholly owned by the Company. HLN was wholly owned by HLMC which was in turn wholly owned by HLCM.

The respective controlling shareholders of the Company, HLCM and Guoinvest as well as their respective percentage controls are shown in the Note under Part (A) above.

- The total interests of 916,800 shares/underlying shares 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 MYR4.99 per share.

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

(B) Associated Corporations (Cont'd)

d) Hong Leong Properties Berhad ("HLPB")

Director	Number of *shares/underlying shares (Long Position)			Notes	Approx. % of the issued share capital of HLPB
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	3,266,280	335,067,692	338,333,972	1	48.30%
Kwek Leng Hai	226,800	—	226,800		0.03%
Sat Pal Khattar	162,700	—	162,700	2	0.02%
Tan Lim Heng	73,710	—	73,710		0.01%

* Ordinary shares unless otherwise specified in the Note

Notes:

- The total interests of 338,333,972 shares/underlying shares comprised 307,820,892 ordinary shares of HLPB, 28,853,120 underlying shares of listed physically settled options issued by HLPB exercisable between 2 October 1995 and 1 October 2005 at an exercisable price of MYR3.05 per share and 1,659,960 underlying shares of other unlisted derivatives.

The corporate interest of 335,067,692 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
Guoinvest International Limited ("Guoinvest")	1,659,960
GLL (Malaysia) Pte Ltd ("GLLM")	292,138,657
Hong Leong Management Co Sdn Bhd ("HLMC")	107,082
OYL (BVI) Limited ("OYL(BVI)")	4,343,000
Hume Plastics (Malaysia) Sdn Berhad ("HPM")	3,005,286
Hong Leong Industries Berhad ("HLI")	2,188,500
HLI Trading Limited ("HLIT")	14
MPI (BVI) Limited ("MPI(BVI)")	2,772,100
Hong Leong Credit Berhad ("HLCB")	28,853,093

GLLM was wholly owned by GuocoLand Limited ("GLL"). HLIT was wholly owned by HLI. HPM was wholly owned by Hume Industries (Malaysia) Berhad which was 64.22% owned by HLCM. OYL(BVI) was wholly owned by O.Y.L. Industries Bhd which was in turn 39.77% owned by Hong Leong Secretarial Services Sdn Bhd ("HLSS"). HLSS was wholly owned by HLMC.

The respective controlling shareholders of Guoinvest, HLCM, HLI and MPI(BVI) and their respective percentage controls are shown in the Note under Part (A) above.

The respective controlling shareholders of GLL and HLMC as well as their percentage controls are shown in Note 1 under Part (B)(b) above.

The controlling shareholder of HLCB and its percentage control are shown in Note 1 under Part (B)(c) above.

- The total interests of 162,700 shares/underlying shares comprised 152,700 ordinary shares of HLPB and 10,000 underlying shares of listed physically settled options issued by HLPB exercisable between 2 October 1995 and 1 October 2005 at an exercisable price of MYR3.05 per share.

REPORT OF THE DIRECTORS

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

(B) Associated Corporations (Cont'd)

e) Hong Leong Industries Berhad ("HLI")

Director	Number of *shares/underlying shares (Long Position)/ Amount of debentures			Notes	Approx. % of the issued share capital of HLI
	Personal interests	Corporate interests	Total interests		
Quek Leng Chan	1,308,000	169,574,935	170,882,935	1	78.39%
Kwek Leng Hai	215,312	—	215,312	2	0.10%
	MYR165,000	—	MYR165,000	3	N/A
Sat Pal Khattar	208,580	—	208,580	4	0.10%
	MYR171,000	—	MYR171,000	5	N/A
Kwek Leng San	2,200,000	—	2,200,000	6	1.01%
	MYR1,550,000	—	MYR1,550,000	7	N/A

* Ordinary shares unless otherwise specified in the Notes

Notes:

- The total interests of 170,882,935 shares/underlying shares comprised 131,402,500 ordinary shares of HLI, 15,313,372 underlying shares of listed physically settled options issued by HLI exercisable between 13 November 2001 and 13 November 2006 at an exercisable price of MYR8.00 per share and 24,167,063 underlying shares of listed physically settled options issued by HLI exercisable between 28 June 2002 and 28 June 2007.

The corporate interests of 169,574,935 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
Hong Leong Company (Malaysia) Berhad ("HLCM")	167,343,072
Hong Leong Management Co Sdn Bhd ("HLMC")	46,703
Hong Leong Assurance Berhad ("HLA")	1,935,483
Hong Leong Finance Berhad ("HLF")	249,677

HLF was wholly owned by Hong Leong Bank Berhad which was in turn approximately 60.22% owned by HLCB. HLA was wholly owned by HLCB.

The controlling shareholder of HLCM and its percentage control are shown in the Note under Part (A) above.

The controlling shareholder of HLMC and its percentage control are shown in Note 1 under Part (B)(b) above.

The controlling shareholder of HLCB and its percentage control are shown in Note 1 under Part (B)(c) above.

- The total interests of 215,312 shares/underlying shares comprised 163,200 ordinary shares of HLI, 25,500 underlying shares of listed physically settled options issued by HLI exercisable between 13 November 2001 and 13 November 2006 at an exercise price of MYR8.00 per share and 26,612 underlying shares of listed physically settled options issued by HLI exercisable between 28 June 2002 and 28 June 2007.
- These debentures were freely transferable and convertible into shares of HLI and were exercisable between 28 June 2002 and 28 June 2007.

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

(B) Associated Corporations (Cont'd)

e) Hong Leong Industries Berhad ("HLI") (Cont'd)

4. The total interests of 208,580 shares/underlying shares comprised 171,000 ordinary shares of HLI, 10,000 underlying shares of listed physically settled options issued by HLI exercisable between 13 November 2001 and 13 November 2006 at an exercise price of MYR8.00 per share and 27,580 underlying shares of listed physically settled options issued by HLI exercisable between 28 June 2002 and 28 June 2007.
5. These debentures were freely transferable and convertible into shares of HLI and were exercisable between 28 June 2002 and 28 June 2007.
6. The total interests of 2,200,000 shares/underlying shares comprised 1,550,000 ordinary shares of HLI, 400,000 underlying shares of unlisted physically settled options issued by HLI exercisable between 24 December 1999 and 23 December 2004 at an exercise price of MYR8.83 per share and 250,000 underlying shares of listed physically settled options issued by HLI exercisable between 28 June 2002 and 28 June 2007.
7. These debentures were freely transferable and convertible into shares of HLI and were exercisable between 28 June 2002 and 28 June 2007.

f) Hong Leong Bank Berhad ("HLBB")

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of HLBB
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	40,000	951,573,500	951,613,500 <i>Note</i>	60.22%
Kwek Leng Hai	3,955,700	—	3,955,700	0.25%
Sat Pal Khattar	294,000	—	294,000	0.02%
Kwek Leng San	385,000	—	385,000	0.02%

* Ordinary shares

Note:

The corporate interest of 951,573,500 shares comprised the respective direct interests held by:

	Number of shares
Hong Leong Credit Berhad ("HLCB")	948,973,500
Hong Leong Equities Sdn Bhd ("HLESB")	2,600,000

HLESB was wholly owned by HLCB. The controlling shareholder of HLCB and its percentage control are shown in Note 1 under Part (B)(c) above.

REPORT OF THE DIRECTORS

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

(B) Associated Corporations (Cont'd)

g) HLG Capital Berhad ("HLGC")

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of HLGC
	Personal interests	Corporate interests	Total interests	
Kwek Leng Hai	500,000	—	500,000	0.41%
Kwek Leng San	119,000	—	119,000	0.10%
* Ordinary shares				

h) Malaysian Pacific Industries Berhad ("MPI")

Director	Number of *shares/underlying shares (Long Position)			Approx. % of the issued share capital of MPI
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	53,500	115,737,009	115,790,509 <i>Note</i>	58.21%
Sat Pal Khattar	210,000	—	210,000	0.11%
Kwek Leng San	315,000	—	315,000	0.16%
* Ordinary shares unless otherwise specified in the Note				

Note:

The total interests of 115,790,509 shares/underlying shares comprised 114,031,109 ordinary shares of MPI and 1,759,400 underlying shares of other unlisted derivatives.

The corporate interests of 115,737,009 shares/underlying shares comprised the respective direct interests held by:

	Number of shares/underlying shares
Hong Leong Industries Berhad ("HLI")	111,609,547
Guoinvest International Limited ("Guoinvest")	1,759,400
Hongvest Sdn Bhd ("Hongvest")	735,000
Hong Leong Nominees Sendirian Berhad ("HLN")	6,462
Hong Leong Assurance Berhad ("HLA")	1,376,600
Hong Leong Finance Berhad ("HLF")	250,000

Hongvest was wholly owned by MPI Holdings Sdn Bhd which was in turn wholly owned by HLCM.

The respective controlling shareholders of Guoinvest and HLCM as well as their respective percentage controls are shown in the Note under Part (A) above.

The respective controlling shareholders of HLCB and HLN as well as their respective percentage controls are shown in Note 1 under Part (B)(c) above.

The respective controlling shareholders of HLI, HLA and HLF as well as their respective percentage controls are shown in Note 1 under Part (B)(e) above.

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

(B) Associated Corporations (Cont'd)

i) Hume Industries (Malaysia) Berhad ("HIMB")

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of HIMB
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	4,034,000	115,605,894	119,639,894 <i>Note</i>	64.59%
Sat Pal Khattar	200,000	—	200,000	0.12%

* Ordinary shares

Note:

The corporate interests of 115,605,894 shares comprised the respective direct interests held by:

	Number of shares
Hong Leong Company (Malaysia) Berhad ("HLCM")	113,987,027
Hong Leong Management Co Sdn Bhd ("HLMC")	38,867
Hong Leong Assurance Berhad ("HLA")	1,580,000

The controlling shareholder of HLCM and its percentage control are shown in the Note under Part (A) above.

The controlling shareholder of HLMC and its percentage control are shown in Note 1 of Part (B)(b) above.

The controlling shareholding of HLA and its percentage control are shown in Note 1 of Part (B)(e) above.

j) Narra Industries Berhad ("NIB")

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of NIB
	Personal interests	Corporate interests	Total interests	
Quek Leng Chan	8,170,200	38,304,000	46,474,200 <i>Note</i>	74.73%

* Ordinary shares

Note:

The corporate interests of 38,304,000 shares were directly held by Hume Industries (Malaysia) Berhad ("HIMB"). The controlling shareholder of HIMB and its percentage control are shown in the Note of Part (B)(i) above.

REPORT OF THE DIRECTORS

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

(B) Associated Corporations (Cont'd)

k) Lam Soon (Hong Kong) Limited ("LSHK")

Director	Number of *shares (Long Position)			Approx. % of the issued share capital of LSHK
	Personal interests	Corporate interests	Total interests	
Kwek Leng Hai	2,300,000	—	2,300,000	0.95%
Tan Lim Heng	274,000	—	274,000	0.11%
James Eng, Jr.	149,000	—	149,000	0.06%

* Ordinary shares

(C) Others

The associated corporations in which Mr Quek Leng Chan were deemed to be interested solely through his deemed controlling interests in HLCM and/or its subsidiaries were as follows:

Benchmark Group PLC	MEHY Sdn Bhd
Guoman Hotel & Resort Holdings Sdn Bhd	RZA Logistics Sdn Bhd
Luck Hock Venture Holdings, Inc.	Lam Soon (Hong Kong) Limited
Carsem (M) Sdn Bhd	LS Golden Oils & Fats Limited
Carter Realty Sdn Bhd	Kwok Wah Hong Flour Company Limited
Guolene Packaging Industries Berhad	M.C. Packaging Offshore Limited
Guolene Plastic Films Sdn Bhd	Lam Soon Ball Yamamura Incorporation
Guocera Tile Industries (Meru) Sdn Bhd	Guangzhou Lam Soon Food Products Limited
Guocera Tile Industries (Labuan) Sdn Bhd	Shenzhen Lam Soon Edible Oils Company Limited
Hong Leong Fund Management Sdn Bhd	Shekou Lam Soon Silo Company Limited
Hong Leong Yamaha Distributors Sdn Bhd	HLG Capital Berhad
Hong Leong Yamaha Motor Sdn Bhd	Hong Leong Industries Berhad*

* In respect of interests in debentures only

The Company applied for and the Stock Exchange granted a waiver from full compliance with the disclosure requirements in respect of details of the deemed interests of Mr. Quek Leng Chan in the above associated corporations under Rule 13 of Appendix 16 to the Listing Rules.

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

Save as disclosed above, as at 30 June 2004, 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 or otherwise notified the Company pursuant to the Model Code 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 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. There were no outstanding options as at 30 June 2004. Details of the share options granted to directors and employees during the year are as follows:

Grantee	No. of share options		Exercise period of share option	No. of shares acquired on exercise of share options during the year	Weighted average closing price immediately before the date of exercise HK\$
	as at 1 July 2003	as at 30 June 2004			
Quek Leng Chan	600,000	—	12 November 2003 to 12 February 2004	600,000	55.00
Kwek Leng Hai	600,000	—	12 November 2003 to 12 February 2004	600,000	55.00
Sat Pal Khattar	60,000	—	12 November 2003 to 12 February 2004	60,000	55.00
Kwek Leng San	60,000	—	12 November 2003 to 12 February 2004	60,000	55.00
Tan Lim Heng	200,000	—	12 November 2003 to 12 February 2004	200,000	55.00
Harry Richard Wilkinson	60,000	—	12 November 2003 to 12 February 2004	60,000	54.50
James Eng, Jr.	200,000	—	12 November 2003 to 12 February 2004	200,000	55.00
Employee	60,000	—	12 November 2003 to 12 February 2004	60,000	55.00

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

SHARE OPTIONS (Cont'd)

The Company (Cont'd)

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 Employees") the opportunity of participating in the growth and success of the Group. The number of shares that may be issued upon exercise of all share options to be granted under the New Scheme shall not in aggregate exceed 32,721,137 which represents approximately 9.94% 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, if exercised in full, does not exceed 1% of the shares of the Company in issue immediately before such subscription.

The option price per share payable upon exercise of any option will be determined by the directors upon the grant of the 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 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 option; and (c) the nominal value of a share.

A nominal consideration of HK\$1 is payable on acceptance of the option within 21 days inclusive of, and from the date of making such offer. The exercise period of the 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.

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 Group through the grant of options over existing shares.

Unlike a traditional employee share option scheme, the Share Option Plan involves options over existing issued shares of the Company but not 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 approximately 9.94% 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 a 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 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 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 option within 21 days from the date of making such offer. The exercise period of the 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 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.

SHARE OPTIONS (Cont'd)

GuocoLand Limited ("GLL")

GLL's Executives' 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 may grant options to eligible persons of the GLL Group ("GLL Employees") to participate 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 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 27,896,182 representing approximately 4.19% 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 the 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 ending 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 2003, 3,440,000 options were outstanding. These options will expire on 26 April 2009. During the year, no options had lapsed. Further as no additional options were granted pursuant to the Option Scheme and no GLL shares were issued as a result of the exercise of options, the number of outstanding options as at 30 June 2004 remained as 3,440,000.

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.

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 30 June 2004, 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	Approx. % of the issued share capital
Hong Leong Company (Malaysia) Berhad ("HLCM")	Interest of controlled corporations	231,086,229	1	70.23%
HL Holdings Sdn Bhd ("HLH")	Interest of controlled corporations	231,086,229	2 & 3	70.23%
Hong Leong Investment Holdings Pte Ltd ("HLInv")	Interest of controlled corporations	231,086,229	2 & 4	70.23%
Kwek Holdings Pte Ltd ("KH")	Interest of controlled corporations	231,086,229	2 & 5	70.23%
Davos Investment Holdings Private Limited ("Davos")	Interest of controlled corporations	231,086,229	2 & 6	70.23%
Kwek Leng Kee ("KLK")	Interest of controlled corporations	231,086,229	2 & 7	70.23%

Notes:

- These interests comprised 215,907,022 ordinary shares of the Company and 15,179,207 underlying shares of unlisted cash settled derivatives.

These interests comprised the respective direct interests held by:

	Number of shares/underlying shares
GuoLine Overseas Limited ("GOL")	217,013,295
MPI (BVI) Limited ("MPI (BVI)")	327,575
Hong Leong (Netherlands Antilles) N.V. ("HLNA")	7,320,359
Guoinvest International Limited ("Guoinvest")	6,425,000

Guoinvest was wholly owned by GuoLine Capital Assets Limited ("GCA"). MPI (BVI) was wholly owned by Malaysian Pacific Industries Berhad which was 56.11% owned by Hong Leong Industries Berhad which was in turn 58.99% owned by Hong Leong Company (Malaysia) Berhad ("HLCM"). HLNA and GOL were wholly owned by GCA which was in turn wholly owned by HLCM.

- The interests of HLCM, HLH, HLInv, KH, Davos and KLK are duplicated.
- HLH was deemed to be interested in these interests through its controlling interests of 49.11% in HLCM.
- HLInv was deemed to be interested in these interests through its controlling interests of 34.49% in HLCM.
- KH was deemed to be interested in these interests through its controlling interests of 49.00% in HLInv.
- Davos was deemed to be interested in these interests through its controlling interests of 33.59% in HLInv.
- KLK was deemed to be interested in these interests through his controlling interests of 41.92% in Davos.

Save as disclosed above, as at 30 June 2004, the Company had not be 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 disclosed pursuant to the 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 (“BAC”) was established on 9 October 1998 with written terms of reference.

The BAC currently comprises Messrs Harry Richard Wilkinson (Chairman), Sat Pal Khattar, Volker Stoeckel and Kwek Leng Hai. Messrs Harry Richard Wilkinson, Sat Pal Khattar and Volker Stoeckel are independent non-executive directors. Mr Kwek Leng Hai, being an executive director of the Company, will resign from the BAC with effect from 30 September 2004 in order to comply with the requirements of the Listing Rules. The BAC oversees the financial reporting process and the adequacy and effectiveness of the Company’s system of internal controls.

The BAC meets with the Company’s internal auditors, and reviews the audit plans, the internal audit programme, the results of their examinations and their evaluations of the system of internal controls. It also reviews interests in contracts and connected transactions. The BAC meets with the external auditors and 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 BAC meetings were held during the year.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice adopted by the Company based on the guidelines set out in Appendix 14 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\$12.9 million (2003: approximately US\$16.0 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 “GOMC Services Agreement”) with Hong Leong Overseas (H.K.) Limited, 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 GOMC 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 GOMC 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, the ultimate holding company of the Company. Mr Quek Leng Chan is deemed to have a material interest in the GOMC Services Agreement as a deemed controlling shareholder 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 applying prior to 31 March 2004 in respect of the future connected transactions arising from the renewal of the GOMC Services Agreement (the “GOMC Transactions”).

INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (Cont'd)

Services agreements (Cont'd)

(a) *Services Agreement dated 21 August 2001 (Cont'd)*

The independent non-executive directors of the Company reviewed the GOMC Transactions during the year and confirm 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\$74,169,000 for the year ended 30 June 2004 and did not exceed the cap amount of 3% of the book value of the audited net tangible assets of the Company and its subsidiaries as at 30 June 2004 pursuant to Rule 14.25(1) of the Listing Rules applying prior to 31 March 2004.

(b) *Services Agreement dated 6 June 2003*

On 6 June 2002, the Company entered into a services agreement (the "GLL 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 GLL 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 GLL Services Agreement was automatically renewable after the financial year end date of 30 June 2004 for additional, consecutive terms of one year each unless either party provides written notice of at least six months.

GLL is an indirect 62.4% subsidiary of the Company. Mr Quek Leng Chan is deemed to have a material interest in the GLL Services Agreement by virtue of his direct and indirect interests in the issued share capital 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 applying prior to 31 March 2004 in respect of the future connected transactions arising from the renewal of the GLL Services Agreement (the "GLL Transactions").

The independent non-executive directors of the Company reviewed the GLL Transactions during the year and confirm 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\$16,094,000 for the year ended 30 June 2004 and did not exceed the cap amount of the higher of HK\$10,000,000 or 3% of the book value of the audited net tangible assets of the Company and its subsidiaries as at 30 June 2004 pursuant to Rule 14.25(1) of the Listing Rules applying prior to 31 March 2004.

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 MYR0.50 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 MYR0.57 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 MYR158 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 62.4% subsidiary of the Company. HLCM is the ultimate holding company of the Company. Mr Quek Leng Chan is deemed to have a material interest in the Sale and Purchase Agreement as a deemed controlling shareholder of HLCM and by virtue of his direct and indirect interests in the issued share capital of GLL.

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 (which include connected persons as defined under the Listing Rules) pursuant to the Share Option Plan from time to time constitute continuing connected transactions under Chapter 14A of the Listing Rules.

All directors of the Company will be interested in the grant of loans to the Trust and the grant of options, if any, pursuant to the Share Option Plan as an eligible participant to the Share Option Plan. During the year, no loan was made by the Company to the Trust and no option was granted pursuant to the Share Option Plan.

Others

- (1) 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.

HLBB is an indirect subsidiary of HLCM. Mr Quek Leng Chan is deemed to have material interests in the above transactions as a deemed controlling shareholder of HLCM.

- (2) 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. Mr Quek Leng Chan is deemed to have material interests in such transactions as a deemed controlling shareholder 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 and 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 Rule 8.10 of the Listing Rules.

PROPERTIES

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

PRE-EMPTIVE RIGHTS

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

INVESTOR RELATIONS

The Company encourages two-way communication with both its institutional and private investors. Extensive information about the Company's activities is provided in the Annual Report and the Interim Report which are sent to shareholders. There 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, 15 September 2004



TO THE SHAREHOLDERS OF GUOCO GROUP LIMITED

(Incorporated in Bermuda with limited liability)

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of 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, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 Institute of Certified Public 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 2004 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, 15 September 2004

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2004
(Expressed in United States dollars)

	Note	2004 US\$'000	2003 US\$'000 (restated)	2004 HK\$'000	2003 HK\$'000 (restated)
Turnover	3	1,533,705	417,100	11,962,900	3,252,546
Cost of sales		(1,307,105)	(296,945)	(10,195,419)	(2,315,578)
Other attributable costs		(19,139)	(18,299)	(149,284)	(142,696)
		207,461	101,856	1,618,197	794,272
Other revenue	4(a)	3,305	2,665	25,779	20,782
Other net income	4(b)	52,536	113,080	409,781	881,798
Administrative and other operating expenses		(27,803)	(25,380)	(216,863)	(197,913)
Operating profit before finance cost		235,499	192,221	1,836,894	1,498,939
Finance cost	6	(3,901)	(5,863)	(30,428)	(45,720)
Operating profit	14	231,598	186,358	1,806,466	1,453,219
Profit on disposal of subsidiaries		10,973	18,013	85,589	140,465
Profit on disposal of an associate		37,579	—	293,116	—
Impairment loss write back on properties		10,687	11,449	83,359	89,279
Impairment loss on investment securities		(23,879)	—	(186,256)	—
Surplus/(deficit) on revaluation of investment properties		13,074	(74,531)	101,977	(581,193)
Provision write back on amount due from a jointly controlled entity		1,100	1,875	8,580	14,621
Net profit on disposal of investment properties		1,090	—	8,502	—
Operating profit from ordinary activities		282,222	143,164	2,201,333	1,116,391
Share of profits less losses of associates	5	47,645	40,199	371,631	313,472
Share of profits less losses of jointly controlled entities		—	24	—	187
Profit from ordinary activities before taxation	5	329,867	183,387	2,572,964	1,430,050
Taxation	7(a)	2,364	(28,816)	18,439	(224,707)
Profit after taxation		332,231	154,571	2,591,403	1,205,343
Minority interests		(19,426)	2,622	(151,522)	20,446
Profit attributable to shareholders	10	312,805	157,193	2,439,881	1,225,789
Appropriations:					
Final dividend paid	11	(29,679)	(29,164)	(230,294)	(227,431)
Interim dividend paid	11	(16,891)	(16,782)	(131,621)	(130,885)
Retained profit for the year		266,235	111,247	2,077,966	867,473

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2004
(Expressed in United States dollars)

	Note	2004 US\$'000	2003 US\$'000 (restated)	2004 HK\$'000	2003 HK\$'000 (restated)
Retained in:					
The Company and its subsidiaries		225,697	86,460	1,761,770	674,184
Associates		40,538	24,763	316,196	193,102
Jointly controlled entities		—	24	—	187
		<u>266,235</u>	<u>111,247</u>	<u>2,077,966</u>	<u>867,473</u>
		US\$	US\$	HK\$	HK\$
Earnings per share					
Basic	12	<u>0.95</u>	<u>0.48</u>	<u>7.43</u>	<u>3.76</u>
Diluted	12	<u>0.95</u>	<u>0.48</u>	<u>7.42</u>	<u>3.74</u>
		US\$'000	US\$'000	HK\$'000	HK\$'000
Proposed final dividend	11	<u>109,684</u>	<u>29,373</u>	<u>855,534</u>	<u>229,048</u>

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

CONSOLIDATED BALANCE SHEET

as at 30 June 2004

(Expressed in United States dollars)

	Note	2004 US\$'000	2003 US\$'000 (restated)	2004 HK\$'000	2003 HK\$'000 (restated)
Non-current assets					
Fixed assets	15	246,175	232,897	1,920,165	1,816,131
Interest in associates	17	269,445	408,903	2,101,671	3,188,626
Interest in jointly controlled entities	18	(32)	(4,341)	(250)	(33,851)
Other non-current financial assets	19	76,504	89,589	596,731	698,615
Deferred tax assets	29(a)	1,125	1,139	8,775	8,888
Goodwill	20	(14,707)	(10,249)	(114,715)	(79,922)
		<u>578,510</u>	<u>717,938</u>	<u>4,512,377</u>	<u>5,598,487</u>
Current assets					
Development properties	21	443,099	512,289	3,456,172	3,994,830
Properties held for sale	22	59,366	60,941	463,055	475,218
Other assets	23	237,479	62,246	1,852,336	485,394
Other investments in securities	24	643,349	333,728	5,018,122	2,602,411
Cash and short term funds	25	2,896,654	2,932,952	22,593,901	22,871,160
		<u>4,279,947</u>	<u>3,902,156</u>	<u>33,383,586</u>	<u>30,429,013</u>
Current liabilities					
Other payables and provisions	26	83,300	60,097	649,740	468,636
Current portion of bank loans and other borrowings	27	285,003	383,414	2,223,023	2,989,862
Insurance funds		3,741	3,606	29,180	28,120
Taxation	7(c)	17,114	31,475	133,489	245,442
		<u>389,158</u>	<u>478,592</u>	<u>3,035,432</u>	<u>3,732,060</u>
Net current assets		<u>3,890,789</u>	<u>3,423,564</u>	<u>30,348,154</u>	<u>26,696,953</u>
Total assets less current liabilities		<u>4,469,299</u>	<u>4,141,502</u>	<u>34,860,531</u>	<u>32,295,440</u>
Non-current liabilities					
Non-current portion of bank loans and other borrowings	28	284,938	215,875	2,222,516	1,683,393
Deferred tax liabilities	29(a)	6,795	9,106	53,001	71,011
		<u>291,733</u>	<u>224,981</u>	<u>2,275,517</u>	<u>1,754,404</u>
Minority interests	30	<u>243,961</u>	<u>214,020</u>	<u>1,902,895</u>	<u>1,668,928</u>
NET ASSETS		<u>3,933,605</u>	<u>3,702,501</u>	<u>30,682,119</u>	<u>28,872,108</u>

CONSOLIDATED BALANCE SHEET

as at 30 June 2004
(Expressed in United States dollars)

	Note	2004 US\$'000	2003 US\$'000 (restated)	2004 HK\$'000	2003 HK\$'000 (restated)
CAPITAL AND RESERVES					
Share capital	31	164,526	163,606	1,283,303	1,275,800
Reserves	32	3,769,079	3,538,895	29,398,816	27,596,308
		<u>3,933,605</u>	<u>3,702,501</u>	<u>30,682,119</u>	<u>28,872,108</u>

Approved and authorised for issue by the Board of Directors on 15 September 2004

Kwek Leng Hai
James Eng, Jr.

Directors

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

BALANCE SHEET

as at 30 June 2004

(Expressed in United States dollars)

	Note	2004 US\$'000	2003 US\$'000	2004 HK\$'000	2003 HK\$'000
Non-current assets					
Interest in subsidiaries	16	982,080	1,106,954	7,660,224	8,632,027
Other non-current financial assets	19	203	203	1,583	1,583
		<u>982,283</u>	<u>1,107,157</u>	<u>7,661,807</u>	<u>8,633,610</u>
Current assets					
Other assets	23	2,429	2,174	18,946	16,953
Cash and short term funds	25	2,698,926	2,526,273	21,051,623	19,699,877
		<u>2,701,355</u>	<u>2,528,447</u>	<u>21,070,569</u>	<u>19,716,830</u>
Current liabilities					
Amounts due to subsidiaries		299,148	273,172	2,333,354	2,130,195
Other payables and provisions	26	11,263	7,333	87,851	57,182
Taxation	7(c)	27	9,888	211	77,107
		<u>310,438</u>	<u>290,393</u>	<u>2,421,416</u>	<u>2,264,484</u>
Net current assets		<u>2,390,917</u>	<u>2,238,054</u>	<u>18,649,153</u>	<u>17,452,346</u>
NET ASSETS		<u>3,373,200</u>	<u>3,345,211</u>	<u>26,310,960</u>	<u>26,085,956</u>
CAPITAL AND RESERVES					
Share capital	31	164,526	163,606	1,283,303	1,275,800
Reserves	32	3,208,674	3,181,605	25,027,657	24,810,156
		<u>3,373,200</u>	<u>3,345,211</u>	<u>26,310,960</u>	<u>26,085,956</u>

Approved and authorised for issue by the Board of Directors on 15 September 2004

Kwek Leng Hai
James Eng, Jr.

Directors

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2004
(Expressed in United States dollars)

	2004 US\$'000	2003 US\$'000	2004 HK\$'000	2003 HK\$'000
Shareholders' equity at 1 July				
- As previously reported	3,701,557	3,577,730	28,864,743	27,905,937
- Prior period adjustments arising from change in accounting policies for deferred tax (Note 13)	944	847	7,365	6,604
- As restated	3,702,501	3,578,577	28,872,108	27,912,541
Exchange adjustments	—	—	6,069	(6,762)
	3,702,501	3,578,577	28,878,177	27,905,779
Share of subsidiaries' and associates' capital reserves movement	(29,892)	109	(233,158)	850
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	(10,057)	4,408	(78,446)	34,374
Net (losses)/gains not recognised in the consolidated income statement	(39,949)	4,517	(311,604)	35,224
Profit attributable to shareholders				
- As previously reported		157,096		1,225,032
- Prior period adjustment arising from change in accounting policy for deferred tax (Note 13)		97		757
Profit attributable to shareholders (2003: as restated)	312,805	157,193	2,439,881	1,225,789
Dividend paid	(46,570)	(45,946)	(361,915)	(358,316)
Shares issued under executive share option scheme	4,818	8,160	37,580	63,632
Shareholders' equity at 30 June	3,933,605	3,702,501	30,682,119	28,872,108

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

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2004
(Expressed in United States dollars)

Note	2004		2003	
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities				
Operating profit from ordinary activities	329,867		183,387	
Adjustments for:				
- Finance cost	3,901		5,863	
- Interest income	(40,630)		(49,210)	
- Dividend income	(17,084)		(19,614)	
- Depreciation	2,359		2,823	
- Amortisation of negative goodwill	(6,517)		(3,027)	
- (Surplus)/deficit on revaluation of investment properties	(13,074)		74,531	
- Impairment loss write back on properties	(10,687)		(11,449)	
- Provision write back on amount due from a jointly controlled entity	(1,100)		(1,875)	
- Profit on disposal of subsidiaries	(10,973)		(18,013)	
- Profit on disposal of an associate	(37,579)		—	
- Net profit on disposal of investment properties	(1,090)		—	
- Impairment loss on investment securities	23,879		—	
- Share of profits less losses of associates	(47,645)		(40,199)	
- Share of profits less losses of jointly controlled entities	—		(24)	
- Net loss/(profit) on disposal of fixed assets	69		(94)	
Operating profit before changes in working capital	173,696		123,099	
Decrease in other assets	20,740		26,792	
(Increase)/decrease in other investments in securities	(308,220)		1,260,189	
Decrease in development properties	105,173		4,453	
Decrease in properties held for sale	3,029		5,453	
Increase/(decrease) in other payables and provisions	25,547		(26,117)	
Increase in insurance funds	135		498	
Cash generated from operations	20,100		1,394,367	
Interest received	40,337		48,138	
Dividend received on equity investment	17,084		19,614	
Tax paid				
- Hong Kong Profits Tax paid	(486)		(240)	
- Hong Kong Profits Tax refunded	—		57	
Overseas tax (paid)/refunded	(7,128)		3,141	
Net cash from operating activities		69,907		1,465,077

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2004
(Expressed in United States dollars)

	Note	2004		2003	
		US\$'000	US\$'000	US\$'000	US\$'000
Investing activities					
Purchase of interest in associates		(5,087)		(21,520)	
Purchase of interest in investment securities		(9,543)		—	
Cash acquired from purchase of subsidiaries, net of payment made	33(b)	—		1,495	
Net repayment from associates		4,229		7,725	
Net (advance to)/repayment from jointly controlled entities		(3,195)		2,070	
Purchase of fixed assets		(1,519)		(1,913)	
Proceeds from sale of investment securities		—		123	
Proceeds from disposal of fixed assets		123		541	
Proceeds from disposal of investment properties		3,580		—	
Proceeds from disposal of interest in subsidiaries	33(d)	8,768		35,264	
Dividends received from associates		10,844		8,582	
Net cash from investing activities			8,200		32,367
Financing activities					
New issue of ordinary shares		4,818		8,160	
Capital injection by minority shareholders		303		24,463	
Repayment of bank loans		(75,617)		(155,184)	
Drawing of/(repayment of) other borrowings		32,014		(42,549)	
Interest paid		(16,851)		(24,551)	
Dividends paid to minority shareholders		(8,314)		(4,634)	
Dividends paid		(46,570)		(45,946)	
Net cash used in financing activities			(110,217)		(240,241)
Net (decrease)/increase in cash and cash equivalents			(32,110)		1,257,203
Cash and cash equivalents at 1 July	25		2,932,952		1,675,898
Effect of foreign exchange rates			(4,188)		(149)
Cash and cash equivalents at 30 June	25		2,896,654		2,932,952

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

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2004
(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 Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice ("SSAP") and Interpretations) issued by the Hong Kong Institute of Certified Public 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 accounts and transactions are eliminated upon consolidation. The Group's results include, in respect of any subsidiaries acquired during the year, their results attributable to the periods since the dates of acquisition and, in the case of subsidiaries disposed of during the year, their results attributable to the periods up to the dates of disposal.

(c) Basis of preparation of the financial statements

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue recognition

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

(i) Interest income

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

(ii) Dividends

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

(iii) Revenue on the disposal of development properties is recognised in the financial statements using the percentage of completion method based on the stage of completion as certified by the architects or quantity surveyors. Provision for foreseeable loss is made in the year in which such loss is determined.

(iv) Revenue arising from the disposal of other properties is recognised when substantially all the conditions of sales have been met and the risks and rewards of ownership have been transferred to the buyers.

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Revenue recognition (Cont'd)

- (v) Rental income from operating leases is recognised on a straight line basis over the period of the respective leases.
- (vi) Commission and brokerage income in respect of securities trading is recognised on a trade date basis when the relevant transactions are executed.
- (vii) *Insurance premiums*
Premiums are accounted for in the period in which the amount is determined, which is generally the period in which the risk commences.
- (viii) *Reinsurance treaty inward business*
Premiums and commission on inward treaty reinsurance business are accounted for on the basis of the latest advice from ceding companies or agents.

(b) Investments

(i) *Investment in securities*

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

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

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

Investment securities

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

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

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

Other investments in securities

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

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

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

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2004
(Expressed in United States dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Investments (Cont'd)

(ii) *Interest in subsidiaries*

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors. 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 controls, over its management, including participation in financial and operating policy decisions.

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

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

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

(c) Goodwill

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Goodwill (Cont'd)

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 losses (see note 2(h)). Depreciation is calculated on a straight line basis to write off the assets over their estimated useful lives, taken as being between 3 to 10 years.

- (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 term 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.

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2004
(Expressed in United States dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Development properties

Development properties are stated at cost less any provisions for impairment in value (see note 2(h)) which is other than temporary as determined by the directors, plus, where appropriate, a portion of attributable profit less progress billings. Land, related acquisition expenses, development expenditure, interest and other related expenditure are capitalised as part of the cost of development properties.

(h) Impairment of assets

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

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

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

(i) Calculation of recoverable amount

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

(ii) Reversals of impairment losses

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Leased assets

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

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

(ii) *Operating lease charges*

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

(j) Long term notes and bonds

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

(k) Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(l) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2004
(Expressed in United States dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(l) Income tax (Cont'd)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(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 expenses 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.

(p) Borrowing costs

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

(q) Provisions and contingent liabilities

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

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

(r) Off-balance sheet financial instruments

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

Transactions undertaken for dealing purposes are marked to market and the net present value of the gain or loss arising is recognised in the income statement as dealing profits or losses.

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

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

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

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2004
(Expressed in United States dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) Related parties

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

(t) Segment reporting

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

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

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

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

(i) Business segments

The Group comprises the following main business segments:

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

(ii) Geographical segments

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

NOTES ON THE FINANCIAL STATEMENTS

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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	
	2004	2003
	\$'000	\$'000
Income from sale of investments in securities	1,281,020	120,395
Income from sale of properties	164,519	190,193
Interest income	40,084	47,777
Dividend income from listed securities	17,084	8,389
Gross insurance premiums	13,294	13,898
Rental income from properties	9,882	13,338
Security commission and brokerage	7,262	4,252
Dividend income from unlisted securities	—	11,225
Other income	560	7,633
	<u>1,533,705</u>	<u>417,100</u>

4 OTHER REVENUE AND NET INCOME

(a) Other revenue

	The Group	
	2004	2003
	\$'000	\$'000
Interest income from listed securities	549	1,287
Interest income from unlisted securities	2	146
Others	2,754	1,232
	<u>3,305</u>	<u>2,665</u>

(b) Other net income

	The Group	
	2004	2003
	\$'000	\$'000
Net realised gains on other investments	5,398	68,200
Net exchange gains	34,102	38,569
Net (losses)/profits on disposal of fixed assets	(69)	94
Net unrealised gains/(losses) on other investments	16,976	(3,592)
Others	(3,871)	9,809
	<u>52,536</u>	<u>113,080</u>

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5 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at

	The Group	
	2004	2003
	\$'000	\$'000
<i>after charging:</i>		
Staff costs (including retirement scheme contributions of \$1,062,000 (2003: \$890,000))	19,973	20,591
Depreciation	2,359	2,823
Operating lease charges		
- properties	1,269	1,643
- others	8	8
Amortisation of goodwill included in share of profits less losses of associates	456	1,434
Auditors' remuneration	300	278
Donations	73	81
	<u> </u>	<u> </u>
<i>and crediting:</i>		
Amortisation of negative goodwill	6,517	3,027
Impairment loss write back on properties	10,687	11,449
	<u> </u>	<u> </u>
Gross rental income from investment properties	9,882	13,338
Less: direct outgoings	(1,614)	(1,233)
	<u> </u>	<u> </u>
Net rental income	8,268	12,105
	<u> </u>	<u> </u>
Share of profits less losses of associates:		
- listed	46,357	41,689
- unlisted	1,288	(1,490)
	<u> </u>	<u> </u>
	47,645	40,199
	<u> </u>	<u> </u>

6 FINANCE COST

	The Group	
	2004	2003
	\$'000	\$'000
Interest on bank advances and other borrowings repayable within five years	16,262	21,527
Other borrowing costs	523	344
	<u> </u>	<u> </u>
Total borrowing costs	16,785	21,871
Less: borrowing costs capitalised into development properties (Note)	(12,884)	(16,008)
	<u> </u>	<u> </u>
	3,901	5,863
	<u> </u>	<u> </u>

Note: The borrowing costs have been capitalised at rates of 1.786% to 6.125% per annum (2003: 1.71% to 6.125%).

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7 TAXATION

(a) Taxation in the consolidated income statement represents:

	The Group	
	2004	2003
	\$'000	\$'000
		(restated)
Current tax - Provision for Hong Kong Profits Tax		
Tax for the year	2,990	7,564
Overprovision in respect of prior years	(9,961)	(28)
	<u>(6,971)</u>	<u>7,536</u>
Current tax - Overseas		
Tax for the year	755	9,515
(Over)/under-provision in respect of prior years	(848)	417
	<u>(93)</u>	<u>9,932</u>
Deferred tax		
Origination and reversal of temporary differences	(1,988)	(4,189)
Benefit of previously unrecognised tax losses now recognised	(384)	—
Effect of changes in tax rate on deferred tax balances at 1 July	—	101
Overprovision in respect of prior years	(35)	—
	<u>(2,407)</u>	<u>(4,088)</u>
Share of associates' taxation	<u>7,107</u>	<u>15,436</u>
	<u>(2,364)</u>	<u>28,816</u>

The provision for Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profits for the year ended 30 June 2004. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2004
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7 TAXATION (Cont'd)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2004		2003	
	\$'000	%	\$'000	%
			(restated)	
Profit before tax	329,867		183,387	
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	65,139	19.7	28,209	15.4
Deferred tax benefit not recognised	1,479	0.4	3,910	2.1
Tax effect of non-deductible expenses	14,863	4.5	28,996	15.8
Tax effect of non-taxable revenue	(57,470)	(17.4)	(34,684)	(18.9)
Tax effect of unused tax losses not recognised	2,124	0.6	4,543	2.5
Tax effect of utilisation of tax losses not previously recognised	(2,786)	(0.8)	(329)	(0.2)
Reversal of temporary differences not accounted for in previous years	(8,840)	(2.7)	(2,480)	(1.4)
Effect on opening deferred tax balances resulting from the changes of tax rate during the year	(384)	(0.1)	50	—
(Over)/under-provision in prior years	(10,844)	(3.3)	389	0.2
Overprovision in prior years - associates	(5,418)	(1.6)	(1,172)	(0.6)
Others	(227)	—	1,384	0.8
Actual tax expense	(2,364)	(0.7)	28,816	15.7

(c) Taxation in the balance sheet represents:

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Hong Kong Profits Tax	3,205	10,647	27	9,888
Overseas taxation	13,909	20,828	—	—
Taxation payable	17,114	31,475	27	9,888
Amount of taxation payable expected to be settled after more than 1 year	480	602	—	—

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8 DIRECTORS' REMUNERATION

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

	The Group	
	2004	2003
	\$'000	\$'000
Fees	250	204
Salaries, allowances and benefits in kind	1,794	1,810
Discretionary bonuses	1,641	287
Pension contributions	71	87
	<u>3,756</u>	<u>2,388</u>

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

	The Group	
	2004	2003
	\$'000	\$'000
Fees	83	75
Salaries, allowances and benefits in kind	40	9
	<u>123</u>	<u>84</u>

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

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

	The Group	
	2004	2003
	Number of directors	Number of directors
\$		
0 - 150,000	7	6
150,001 - 200,000	—	1
200,001 - 250,000	1	—
450,001 - 500,000	1	1
550,001 - 600,000	—	1
600,001 - 700,000	1	—
950,001 - 1,000,000	—	1
2,200,001 - 2,300,000	1	—
	<u>11</u>	<u>10</u>

NOTES ON THE FINANCIAL STATEMENTS

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9 EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Among the five highest paid individuals of the Group, three (2003: three) are directors whose remuneration is disclosed in Note 8. The remuneration of the other two (2003: two) individuals is as follows:

	The Group	
	2004	2003
	\$'000	\$'000
Salaries, allowances and benefits in kind	760	697
Discretionary bonuses	312	82
Pension contributions	50	33
	<u>1,122</u>	<u>812</u>

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

	The Group	
	2004	2003
	Number of individuals	Number of individuals
\$		
250,001 - 300,000	—	1
350,001 - 400,000	1	—
500,001 - 550,000	—	1
750,001 - 800,000	1	—
	<u>2</u>	<u>2</u>

10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of \$66,325,000 (2003: \$97,523,000) which has been dealt with in the financial statements of the Company.

11 DIVIDENDS

	The Group and the Company	
	2004	2003
	\$'000	\$'000
2003: Final dividend paid of HK\$0.70 per share (2002: HK\$0.70 per share)	29,679	29,164
2004: Interim dividend paid of HK\$0.40 per share (2003: HK\$0.40 per share)	16,891	16,782
	<u>46,570</u>	<u>45,946</u>
2004: Proposed final dividend of HK\$2.60 per share (2003: HK\$0.70 per share)	109,684	29,373

The proposed final dividend for the year ended 30 June 2004 of \$109,684,000 (2003: \$29,373,000) is calculated based on 329,051,373 ordinary shares (2003: 327,211,373 ordinary shares) in issue as at 30 June 2004.

NOTES ON THE FINANCIAL STATEMENTS

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12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of \$312,805,000 (2003 (restated): \$157,193,000) and the weighted average number of 328,365,198 ordinary shares (2003: 325,839,510 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 \$312,781,000 (2003 (restated): \$157,173,000) and the weighted average number of 328,808,118 ordinary shares (2003: 327,660,400 ordinary shares) in issue during the year after adjusting for the effect of all dilutive potential ordinary shares.

(c) Reconciliations

	2004 Number of shares	2003 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	328,365,198	325,839,510
Deemed issue of ordinary shares under executive share option scheme	442,920	1,820,890
Weighted average number of ordinary shares used in calculating diluted earnings per share	328,808,118	327,660,400

13 CHANGES IN ACCOUNTING POLICY

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from 1 July 2003, in order to comply with SSAP 12 (revised) issued by the Hong Kong Institute of Certified Public Accountants, the Group adopted a new policy for deferred tax as set out in note 2(l). As a result of the adoption of this accounting policy, the Group's profit for the year has been increased by \$119,000 (2003: \$97,000) and the net assets as at the year end have been increased by \$1,063,000 (2003: \$944,000).

The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and reserves and the comparative information adjusted for the amounts relating to prior periods as disclosed in the consolidated statement of changes in equity.

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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 2004

	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	1,337,095	164,519	10,545	8,048	13,498	—	1,533,705
Inter-segment turnover	17,449	—	587	104	134	(18,274)	—
	<u>1,354,544</u>	<u>164,519</u>	<u>11,132</u>	<u>8,152</u>	<u>13,632</u>	<u>(18,274)</u>	<u>1,533,705</u>
Contribution from operations	224,036	10,898	6,744	1,296	31	—	243,005
Unallocated income							8,454
Unallocated expenses							(15,960)
Operating profit before finance cost							235,499
Finance cost							(3,901)
Operating profit							231,598
Profit on disposal of subsidiaries							10,973
Profit on disposal of an associate							37,579
Impairment loss write back on properties	—	10,687	—	—	—	—	10,687
Impairment loss on investment securities	(23,879)	—	—	—	—	—	(23,879)
Surplus on revaluation of investment properties	—	—	13,074	—	—	—	13,074
Provision write back on amount due from a jointly controlled entity	—	1,100	—	—	—	—	1,100
Net profit on disposal of investment properties	—	—	1,090	—	—	—	1,090
Operating profit from ordinary activities							282,222
Share of profits less losses of associates	32,225	2,587	12,833	—	—	—	47,645
Profit from ordinary activities before taxation							329,867
Taxation							2,364
Profit after taxation							332,231
Minority interests							(19,426)
Profit attributable to shareholders							<u>312,805</u>

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14 SEGMENT INFORMATION (Cont'd)

Business segments (Cont'd)

Revenue and expenses (Cont'd)

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	189,685	190,193	18,045	5,168	14,009	—	417,100
Inter-segment turnover	9,234	—	826	145	164	(10,369)	—
	<u>198,919</u>	<u>190,193</u>	<u>18,871</u>	<u>5,313</u>	<u>14,173</u>	<u>(10,369)</u>	<u>417,100</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 from 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							(28,816)
Profit after taxation							154,571
Minority interests							2,622
Profit attributable to shareholders							157,193

NOTES ON THE FINANCIAL STATEMENTS

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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 2004</i>						
Segment assets	3,625,430	608,041	249,732	22,025	25,793	4,531,021
Interest in associates	198,797	(55)	72,194	—	—	270,936
Interest in jointly controlled entities	245	(277)	—	—	—	(32)
Unallocated assets						56,532
Total assets						4,858,457
Segment liabilities	1,122	256,615	5,573	7,887	7,585	278,782
Unallocated liabilities						402,109
Total liabilities						680,891
<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						46,696
Total assets (restated)						4,620,094
Segment liabilities	17,325	326,249	5,039	8,553	9,914	367,080
Unallocated liabilities						336,493
Total liabilities (restated)						703,573

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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
2004						
Capital expenditure incurred during the year	311	301	—	14	893	1,519
Depreciation and amortisation for the year	(3,628)	(868)	—	312	482	(3,702)
2003						
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

Geographical segments

	Turnover		Operating profit	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Hong Kong	1,357,606	196,739	190,387	133,974
Singapore	160,402	209,161	34,765	51,408
Asia (excluding Hong Kong and Singapore)	14,437	10,036	6,446	942
Others	1,260	1,164	—	34
	<u>1,533,705</u>	<u>417,100</u>	<u>231,598</u>	<u>186,358</u>
	Segment assets		Capital expenditure	
	2004 \$'000	2003 \$'000 (restated)	2004 \$'000	2003 \$'000
Hong Kong	3,528,498	3,235,561	948	1,517
Singapore	668,226	807,284	455	383
Asia (excluding Hong Kong and Singapore)	467,061	408,763	116	13
Others	194,672	168,486	—	—
	<u>4,858,457</u>	<u>4,620,094</u>	<u>1,519</u>	<u>1,913</u>

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15 FIXED ASSETS

	The Group			
	Investment properties \$'000	Leasehold premises \$'000	Furniture, fixtures and equipment \$'000	Total \$'000
<i>Cost or valuation:</i>				
As at 1 July 2003	215,480	23,624	10,298	249,402
Additions	—	740	779	1,519
Disposals	(2,459)	(265)	(1,412)	(4,136)
Surplus on revaluation	12,619	—	—	12,619
Exchange adjustments	4,269	(6)	65	4,328
As at 30 June 2004	229,909	24,093	9,730	263,732
<i>Representing:</i>				
Cost	—	24,093	9,730	33,823
Valuation - 30 June 2004	229,909	—	—	229,909
	229,909	24,093	9,730	263,732
<i>Accumulated depreciation:</i>				
As at 1 July 2003	—	9,758	6,747	16,505
Charge for the year	—	746	1,613	2,359
Written back on disposal	—	(251)	(1,099)	(1,350)
Exchange adjustments	—	(1)	44	43
As at 30 June 2004	—	10,252	7,305	17,557
<i>Net book value:</i>				
As at 30 June 2004	229,909	13,841	2,425	246,175
As at 30 June 2003	215,480	13,866	3,551	232,897

NOTES ON THE FINANCIAL STATEMENTS

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15 FIXED ASSETS (Cont'd)

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

	The Group	
	2004	2003
	\$'000	\$'000
In Hong Kong:		
- Leasehold with over 50 years unexpired	18,385	12,869
- Leasehold with between 10 to 50 years unexpired	46,163	35,301
- Leasehold with less than 10 years unexpired	190	657
Outside Hong Kong:		
- Leasehold with over 50 years unexpired	179,012	180,519
	<u>243,750</u>	<u>229,346</u>

- (b) The Group's investment properties are located in Hong Kong and Singapore. The properties which are located in Singapore were valued on an open market basis as at 30 June 2004 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 properties in Hong Kong were revalued on an open market basis as at 30 June 2004 by CB Richard Ellis Limited, an independent firm of professional valuers, who are members of the Hong Kong Institute of Surveyors.
- (c) Certain of the Group's investment properties with a book value of \$71 million (2003: \$74 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 \$229,909,000 (2003: \$215,480,000).

16 INTEREST IN SUBSIDIARIES

	The Company	
	2004	2003
	\$'000	\$'000
Unlisted shares, at cost	22,502	22,502
Amounts due from subsidiaries	959,578	1,084,452
	<u>982,080</u>	<u>1,106,954</u>

NOTES ON THE FINANCIAL STATEMENTS

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16 INTEREST IN SUBSIDIARIES (Cont'd)

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

Name of Company	Issued and paid up ordinary share capital	Percentage held by the Company Group		Principal activities
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 broking
Dao Heng Enterprises Limited	23,000,000 shares of HK\$1 each	100	—	Investment holding
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	Stock broking and securities trading
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
Guo Xiang Property Co., Limited	10,000 shares of HK\$1 each	—	61	Investment holding and agency services

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

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

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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 Company	Group	Principal activities
Cheltenham Investments Pte Ltd	500,000 shares of S\$1 each	—	61	Investment holding
Chiltern Park Development Pte Ltd	28,300,000 shares of S\$1 each	—	61	Property development
Da Zhong Investment Pte Ltd	4,000,000 shares of S\$1 each	—	61	Investment holding
First Capital Corporations Realty Pte. Ltd.	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	675,523,653 shares of S\$1 each	—	61	Investment holding
First Capital Development Pte Ltd	1,000,000 shares of S\$1 each	—	61	Property investment
First Cavendish Development Pte Ltd	23,400,000 shares of S\$1 each	—	61	Property development
First Capital Hotels Pte Ltd	2 shares of S\$1 each	—	61	Investment holding
First Capital Investment Ltd	10,000,000 shares of S\$1 each	—	61	Investment trading
GLL Land Pte. Ltd. (formerly known as First Capital Land Pte Ltd)	70,000,000 shares of S\$1 each	—	61	Property investment

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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 Company	Group	Principal activities
GuocoLand Management Pte. Ltd. (formerly known as 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 investment advisory 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
GuocoLand (Singapore) Pte. Ltd.	1 share of S\$1 each	—	61	Investment holding
GLL Holdings (UK) Pte. Ltd. (formerly known as 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
GuocoLand Property Management Pte. Ltd. (formerly known as 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

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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 Company	Group	Principal activities
First Changi Development Pte Ltd	44,446,750 shares of S\$1 each	—	55	Property development
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 Holdings 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

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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 Company Group		Principal activities
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	—	61	Provider of internet commerce services
Rivaldo Investments Pte Ltd	2 shares of S\$1 each	—	61	Investment holding and trading
Sanctuary Land Pte Ltd	60,000,000 shares of S\$1 each	—	55	Property development
Tanamera Development Pte Ltd	20,500,000 shares of S\$1 each	—	61	Property development
Winterhall Pte Ltd	2 shares of S\$1 each	—	61	Investment holding and trading
FCC Net Pte Ltd	2 shares of S\$1 each	—	61	Investment holding
GLL (Malaysia) Pte. Ltd. (formerly known as Lilleham Investments Pte Ltd)	58,000,000 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 Company Group		Principal activities
Beijing Minghua Property Development Co., Ltd (Note(i))	The People's Republic of China	RMB200,000,000 (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 Source Group Limited (Note (iii))	British Virgin Islands	1 share of US\$1 each	100	—	Investment holding

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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 Company Group		Principal activities
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
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	RMB165,729,917 (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

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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 Company Group		Principal activities
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
Zeltand Holdings Limited	British Virgin Islands	10 shares of US\$1 each	—	61	Investment holding

Notes:

- (i) These companies have a financial year end of 31 December.
- (ii) These comprise capital contribution to the companies. These companies have a defined period of existence.
- (iii) These companies are operating in Hong Kong.
- (iv) These companies have issued and paid up preference share capital of 4,500,000 shares of HK\$1 each.

17 INTEREST IN ASSOCIATES

	The Group	
	2004 \$'000	2003 \$'000
Unlisted shares, at cost	—	—
Share of net assets		
- Listed shares, overseas	295,329	405,019
- Unlisted	14,411	(321)
Goodwill	(23,875)	12,450
Amounts due from associates	21,042	59,806
	<u>306,907</u>	<u>476,954</u>
Less: Impairment loss	(37,462)	(68,051)
	<u>269,445</u>	<u>408,903</u>

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17 INTEREST IN ASSOCIATES (Cont'd)

Details of the principal associates are as follows:

Name of Company	Country of incorporation and operation	Issued and paid up ordinary share capital	Percentage held by the Group	Principal activities
Crawfom 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	1,040,722,242 shares of M\$1 each	26	Financial services and property development
Hong Leong Properties Berhad	Malaysia	700,458,418 shares of M\$0.5 each	26	Investment holding
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	23	Investment holding
Tiara Investment Holdings Limited	Mauritius	6,500,000 shares of US\$1 each	25	Investment holding

18 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2004	2003
	\$'000	\$'000
Share of net assets - unlisted	(1,121)	(1,153)
Amounts due from jointly controlled entities	70,523	67,346
	69,402	66,193
Less: Impairment loss	(69,434)	(70,534)
	(32)	(4,341)

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18 INTEREST IN JOINTLY CONTROLLED ENTITIES (Cont'd)

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.

19 OTHER NON-CURRENT FINANCIAL ASSETS

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Investment securities				
<i>Equity securities</i>				
- Listed outside Hong Kong	72,524	83,443	—	—
- Unlisted	3,493	5,659	—	—
	<u>76,017</u>	<u>89,102</u>	<u>—</u>	<u>—</u>
<i>Club and other debentures</i>	487	487	203	203
	<u>76,504</u>	<u>89,589</u>	<u>203</u>	<u>203</u>
Market value of listed equity securities	<u>72,159</u>	<u>68,798</u>	<u>—</u>	<u>—</u>

Certain listed investment securities with total carrying value of \$56.4 million (2003: \$76.2 million) were pledged with a bank to secure short-term bank loan facilities.

NOTES ON THE FINANCIAL STATEMENTS

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20 GOODWILL

	The Group
	Negative goodwill \$'000
<i>Cost:</i>	
At 1 July 2003	(13,357)
Addition through increase in shareholding of a subsidiary	(10,975)
At 30 June 2004	(24,332)
<i>Accumulated amortisation:</i>	
At 1 July 2003	(3,108)
Amortisation for the year	(6,517)
At 30 June 2004	(9,625)
<i>Carrying amount:</i>	
At 30 June 2004	(14,707)
At 30 June 2003	(10,249)

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

21 DEVELOPMENT PROPERTIES

	The Group	
	2004	2003
	\$'000	\$'000
Cost as at 30 June	943,640	842,583
Less: Attributable loss	(40,295)	(32,376)
Less: Impairment loss	(89,228)	(113,735)
Less: Progress instalments received and receivable	(371,018)	(184,183)
	443,099	512,289

The amount of development properties expected to be recovered after more than one year is \$235.2 million (2003: \$315.5 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 \$370.4 million (2003: \$477.7 million) are under legal mortgages with banks.

NOTES ON THE FINANCIAL STATEMENTS

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22 PROPERTIES HELD FOR SALE

	The Group	
	2004	2003
	\$'000	\$'000
As at 1 July	60,941	66,394
Disposals	(1,692)	(5,821)
	<hr/> 59,249	<hr/> 60,573
Add: Write back for foreseeable loss	117	368
	<hr/> 59,366	<hr/> 60,941
As at 30 June	<hr/> <hr/> 59,366	<hr/> <hr/> 60,941

23 OTHER ASSETS

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Accrued interest	2,788	2,361	2,390	2,123
Other accounts	234,691	59,885	39	51
	<hr/> 237,479	<hr/> 62,246	<hr/> 2,429	<hr/> 2,174
	<hr/> <hr/> 237,479	<hr/> <hr/> 62,246	<hr/> <hr/> 2,429	<hr/> <hr/> 2,174

Included in the Group's other assets are amounts of \$10.7 million (2003: \$11.3 million) which are expected to be recovered after more than one year.

NOTES ON THE FINANCIAL STATEMENTS

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24 OTHER INVESTMENTS IN SECURITIES

	The Group	
	2004	2003
	\$'000	\$'000
<i>Debt securities</i>		
Listed		
- In Hong Kong	558	608
- Outside Hong Kong	2,595	27,637
	<u>3,153</u>	<u>28,245</u>
<i>Equity securities</i>		
Listed		
- In Hong Kong	65,911	37,268
- Outside Hong Kong	547,918	216,663
	<u>613,829</u>	<u>253,931</u>
Unlisted	—	34
	<u>613,829</u>	<u>253,965</u>
<i>Unit trust</i>		
Unlisted	26,367	51,518
	<u>643,349</u>	<u>333,728</u>
Market value of other listed investments in securities		
- Debt securities	3,153	28,245
- Equity securities	613,829	253,931
	<u>616,982</u>	<u>282,176</u>

25 CASH AND SHORT TERM FUNDS

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Deposits with banks	2,822,971	2,903,206	2,693,265	2,520,675
Cash at bank and in hand	<u>73,683</u>	<u>29,746</u>	<u>5,661</u>	<u>5,598</u>
Cash and cash equivalents in the balance sheet and cash flow statement	<u>2,896,654</u>	<u>2,932,952</u>	<u>2,698,926</u>	<u>2,526,273</u>

NOTES ON THE FINANCIAL STATEMENTS

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26 OTHER PAYABLES AND PROVISIONS

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Other payables and provisions	73,944	60,059	1,908	7,333
Amount due to a fellow subsidiary	9,355	—	9,355	—
Amounts due to associates	1	38	—	—
	<u>83,300</u>	<u>60,097</u>	<u>11,263</u>	<u>7,333</u>

Included in other payables of the Group and the Company are amounts of \$2.8 million (2003: \$5.3 million) and \$1.4 million (2003: \$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 2004, the current portion of bank loans and other borrowings are as follows:

	The Group	
	2004	2003
	\$'000	\$'000
Bank loans		
- Secured (Note)	120,252	259,028
- Unsecured	118,298	61,966
	<u>238,550</u>	<u>320,994</u>
Unsecured medium term notes repayable within 1 year	46,453	62,420
	<u>285,003</u>	<u>383,414</u>

Note: The bank loans are secured by the following:

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

NOTES ON THE FINANCIAL STATEMENTS

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28 NON-CURRENT PORTION OF BANK LOANS AND OTHER BORROWINGS

	The Group	
	2004	2003
	\$'000	\$'000
Bank loans		
- Secured	172,941	113,080
- Unsecured	—	41,724
	172,941	154,804
Unsecured medium term notes	111,997	61,071
	284,938	215,875

Note: The bank loans are secured by the following:

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

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

	The Group					
	2004			2003		
	Bank loans \$'000	Other borrowings \$'000	Total \$'000	Bank loans \$'000	Other borrowings \$'000	Total \$'000
On demand or within 1 year	238,550	46,453	285,003	320,994	62,420	383,414
After 1 year but within 2 years	89,873	11,593	101,466	54,440	45,318	99,758
After 2 years but within 5 years	83,068	100,404	183,472	100,364	15,753	116,117
	172,941	111,997	284,938	154,804	61,071	215,875
	411,491	158,450	569,941	475,798	123,491	599,289

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29 DEFERRED TAXATION

(a) Deferred tax assets and liabilities recognised:

The Group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

<i>Deferred tax arising from:</i>	Depreciation allowance in excess of related depreciation \$'000	Revaluation of properties \$'000	Timing difference on development properties \$'000	Revaluation of securities \$'000	General provision for bad debts and doubtful \$'000	Tax losses \$'000	Others \$'000	Total \$'000
As at 1 July 2003								
- as previously reported	—	1,930	6,889	—	—	—	92	8,911
- prior period adjustments	195	—	—	—	(14)	(1,125)	—	(944)
- as restated	195	1,930	6,889	—	(14)	(1,125)	92	7,967
Charged/(credited) to consolidated income statement	(161)	(175)	(2,078)	—	—	42	(35)	(2,407)
Others	(38)	—	—	—	—	38	—	—
	(4)	1,755	4,811	—	(14)	(1,045)	57	5,560
Exchange adjustments	1	47	61	—	—	(1)	2	110
As at 30 June 2004	(3)	1,802	4,872	—	(14)	(1,046)	59	5,670
As at 1 July 2002								
- as previously reported	—	1,924	4,748	3,601	—	—	2,599	12,872
- prior period adjustments	341	—	—	—	(11)	(1,177)	—	(847)
- as restated	341	1,924	4,748	3,601	(11)	(1,177)	2,599	12,025
Charged/(credited) to consolidated income statement	(147)	—	2,141	(3,625)	(2)	52	(2,507)	(4,088)
	194	1,924	6,889	(24)	(13)	(1,125)	92	7,937
Exchange adjustments	1	6	—	24	(1)	—	—	30
As at 30 June 2003 (restated)	195	1,930	6,889	—	(14)	(1,125)	92	7,967
						2004		2003
						\$'000		\$'000

Net deferred tax asset recognised on the balance sheet

Net deferred tax liability recognised on the balance sheet

(1,125)	(1,139)
6,795	9,106
5,670	7,967

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29 DEFERRED TAXATION (Cont'd)

(b) Deferred tax assets unrecognised:

Deferred tax assets have not been recognised in respect of the following items:

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Deductible temporary differences	174,527	204,066	—	—
Tax losses	135,183	153,178	327	327
	<u>309,710</u>	<u>357,244</u>	<u>327</u>	<u>327</u>

The deductible temporary differences and tax losses do not expire under current tax legislation.

30 MINORITY INTERESTS

Minority interests include the interests of preference shareholders in subsidiaries of \$1,226,000 (2003: \$12,056,000).

31 SHARE CAPITAL

	The Group and the Company			
	2004	2004	2003	2003
	No. of shares	No. of shares	No. of shares	No. of shares
	'000	\$'000	'000	\$'000
Authorised:				
Ordinary shares of US\$0.50 each	<u>1,000,000</u>	<u>500,000</u>	<u>1,000,000</u>	<u>500,000</u>
Issued and fully paid:				
As at 1 July	327,211	163,606	324,081	162,041
Shares issued under executive share option scheme	<u>1,840</u>	<u>920</u>	<u>3,130</u>	<u>1,565</u>
As at 30 June	<u>329,051</u>	<u>164,526</u>	<u>327,211</u>	<u>163,606</u>

During the year, 1,840,000 (2003: 3,130,000 share options) share options were exercised to subscribe for 1,840,000 shares (2003: 3,130,000 shares) in the Company at a consideration net of charges of \$4,818,000 (2003: \$8,160,000) of which \$920,000 (2003: \$1,565,000) was credited to share capital and the balance of \$3,898,000 (2003: \$6,595,000) was credited to the share premium account.

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32 RESERVES

(a) The Group

	Share premium \$'000	Capital and other reserves \$'000	Contributed surplus \$'000	Exchange translation reserve \$'000	Retained profits \$'000	Total \$'000
At 1 July 2003						
- as previously reported	6,595	78,771	3,978	14,089	3,434,518	3,537,951
- prior period adjustment arising from change in accounting policy for deferred tax (Note 13)	—	—	—	—	944	944
- as restated	6,595	78,771	3,978	14,089	3,435,462	3,538,895
Shares issued under executive share option scheme	3,898	—	—	—	—	3,898
Transfer between reserves	—	3,755	—	—	(3,755)	—
Share of subsidiaries' and associates' capital reserves movement	—	(26,870)	—	—	(3,022)	(29,892)
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	—	382	—	(10,439)	—	(10,057)
Retained profit for the year	—	—	—	—	266,235	266,235
At 30 June 2004	10,493	56,038	3,978	3,650	3,694,920	3,769,079
Retained in:						
- Company and subsidiaries						3,690,237
- Associates						94,544
- Jointly controlled entities						(15,702)
						3,769,079

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32 RESERVES (Cont'd)

(a) The Group (Cont'd)

	Share premium \$'000	Capital and other reserves \$'000	Contributed surplus \$'000	Exchange translation reserve \$'000	Retained profits \$'000	Total \$'000
At 1 July 2002						
- as previously reported	—	58,837	3,978	9,736	3,343,138	3,415,689
- prior period adjustment arising from change in accounting policy for deferred tax (Note 13)	—	—	—	—	847	847
- as restated	—	58,837	3,978	9,736	3,343,985	3,416,536
Shares issued under executive share option scheme	6,595	—	—	—	—	6,595
Transfer between reserves	—	19,770	—	—	(19,770)	—
Share of subsidiaries' and associates' capital reserves movement	—	109	—	—	—	109
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	—	55	—	4,353	—	4,408
Retained profit for the year	—	—	—	—	111,247	111,247
At 30 June 2003	6,595	78,771	3,978	14,089	3,435,462	3,538,895
Retained in:						
- Company and subsidiaries						3,443,094
- Associates						111,503
- Jointly controlled entities						(15,702)
						3,538,895

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32 RESERVES (Con'd)

(b) The Company

	Share premium \$'000	Capital and other reserves \$'000	Contributed surplus \$'000	Exchange translation reserve \$'000	Retained profits \$'000	Total \$'000
At 1 July 2003	6,595	—	—	2,717	3,172,293	3,181,605
Shares issued under executive share option scheme	3,898	—	—	—	—	3,898
Exchange differences on translation of net investments in foreign subsidiaries and associates	—	—	—	3,416	—	3,416
Retained profit for the year	—	—	—	—	19,755	19,755
At 30 June 2004	<u>10,493</u>	<u>—</u>	<u>—</u>	<u>6,133</u>	<u>3,192,048</u>	<u>3,208,674</u>
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>2,717</u>	<u>3,172,293</u>	<u>3,181,605</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 and the exchange translation reserve have been set up and will be dealt with in accordance with the Group's accounting policies.

- (iv) Distributable reserves of the Company as at 30 June 2004 amounted to \$3,198,181,000 (2003: \$3,175,010,000).

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2004
(Expressed in United States dollars)

33 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries in 2003

	The Group
	2003
	\$'000
Net assets acquired:	
Other assets	1,941
Cash and short term funds	3,006
Other payables and provisions	(479)
Taxation	(1,203)
Minority interests	2,000
Exchange translation reserve	16
	<hr/>
	5,281
Negative goodwill arising on acquisition	(3,770)
	<hr/>
Total consideration	1,511
	<hr/> <hr/>
Satisfied by:	
Cash consideration	1,511
	<hr/> <hr/>

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

	2003
	\$'000
Cash consideration	(1,511)
Cash at bank and in hand acquired	3,006
	<hr/>
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	1,495
	<hr/> <hr/>

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2004
(Expressed in United States dollars)

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

(c) Disposal of subsidiaries

	The Group	
	2004	2003
	\$'000	\$'000
Net assets disposed:		
Fixed assets	135	93
Development properties	—	29,891
Other assets	(2,476)	4,553
Cash and short term funds	1,564	43,547
Other payables and provisions	123	(16,296)
Taxation	—	(347)
Minority interests	—	(723)
Exchange translation reserve	13	(48)
Capital and other reserve	—	128
	(641)	60,798
Profit on disposal of subsidiaries	10,973	18,013
	10,332	78,811
Satisfied by:		
Cash received	10,332	78,811

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

	The Group	
	2004	2003
	\$'000	\$'000
Cash consideration received	10,332	78,811
Cash at bank and in hand disposed	(1,564)	(43,547)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	8,768	35,264

34 STAFF RETIREMENT SCHEME

The Company and its subsidiaries in Hong Kong 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 or 5 percent of employees' monthly salaries and is expensed as incurred.

A subsidiary in Singapore operates a Central Provident Fund Scheme ("CPF Scheme") which is a defined contribution scheme. Under this CPF Scheme, the subsidiary's contribution is 3.5 percent to 13 percent of employees' monthly salaries and is expensed as incurred.

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2004
(Expressed in United States dollars)

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

	2004 Number	2003 Number
At 1 July	1,840,000	5,090,000
Exercised	(1,840,000)	(3,130,000)
Lapsed	—	(120,000)
At 30 June	—	1,840,000
Options vested at 30 June	—	1,840,000

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

Date granted	Exercise period	Exercise price	2004 Number	2003 Number
30 July 1991	12 November 1999 to 12 February 2004	HK\$20.33	—	1,840,000

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

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2004
(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
13 November 2003	HK\$20.33	HK\$55.25	4,661	1,780,000
28 November 2003	HK\$20.33	HK\$54.75	157	60,000
			<u>4,818</u>	<u>1,840,000</u>

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 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 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 Group through the grant of options over existing shares.

The exercise price of an option for the purchase of share will not be less than the greatest of (a) the average closing price of a share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the day of offer of such a share option; (b) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the day of offer of such a share option, which must be a business day; and (c) the nominal value of a share.

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

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

36 CONTINGENT LIABILITIES

As at 30 June 2004, there were contingent liabilities in respect of guarantees given to bankers by the Company to secure banking facilities to the extent of US\$20,641,000 (2003: US\$40,124,000 by the Group and US\$21,159,000 by the Company) respectively granted to group companies and certain investee companies of the Group.

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2004
(Expressed in United States dollars)

37 COMMITMENTS

Operating lease arrangements

(i) As lessee

As at 30 June 2004, the total future minimum lease payments under non-cancellable operating lease are payable as follows:

	The Group	
	2004	2003
	\$'000	\$'000
Within 1 year	993	1,805
After 1 year but within 5 years	1,386	231
	<u>2,379</u>	<u>2,036</u>

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

(ii) As lessor

As at 30 June 2004, the total future minimum lease payments under non-cancellable operating lease are receivable as follows:

	The Group	
	2004	2003
	\$'000	\$'000
Within 1 year	4,629	1,538
After 1 year but within 5 years	4,416	243
	<u>9,045</u>	<u>1,781</u>

There were also commitments in respect of foreign currency contracts and interest rate swap relating to the normal operations as at 30 June 2004.

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 30 June 2004
(Expressed in United States dollars)

38 MATERIAL RELATED PARTY TRANSACTIONS

(a) Banking transactions

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

During the year, the Group entered into a number of transactions in the normal course of business with companies in the HLCM group including deposits 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 interest income from these transactions during the year and balance outstanding at the balance sheet date is set out below:

(i) Income for the year ended 30 June

	The Group	
	2004	2003
	\$'000	\$'000
Interest income	2,075	1,111

(ii) Balance as at 30 June

	The Group	
	2004	2003
	\$'000	\$'000
Cash and short term funds	116,130	149,314

(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"), a subsidiary of HLCM, for provision of general management services to the Group by GOMC. Total management fees paid and payable to GOMC for the year ended 30 June 2004 amounted to \$9.5 million (2003: \$5.6 million).

39 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.

40 COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of the change in accounting policy for details of which are set out in Note 13. The comparative figure for income from sale of investments in securities under Turnover has been adjusted to conform with the current year's presentation to better reflect the principal activities of the Group.

41 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company at 30 June 2004 to be Hong Leong Company (Malaysia) Berhad, which is incorporated in Malaysia.

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	Phase 1 TOP obtained on 23/9/2003	N/A))))	23,551	66,040	55
		Phase 2 TOP obtained on 4/6/2004	N/A)))			
The Gardens at Bishan situated at Sin Ming Ave/Sin Ming Walk	Residential	Phase 1 TOP obtained on 10/2/2004	N/A))))	34,949	87,373	55
		Phase 2 TOP application in progress	8/2004)))			
Le Crescendo situated at Paya Lebar Road	Residential	Superstructure & architectural works in progress	2/2006	12,323	26,176	61
Bishan Point situated at Sin Ming Ave/ Bright Hill Drive	Residential	Superstructure & architectural works in progress	4/2005	6,800	19,038	61
Central Park situated in Luwan district, Shanghai	Residential	Superstructure works in progress	6/2005	14,841	63,935	60
D'elias situated at Tampines Expressway/Elias Road Junction	Residential	Superstructure & architectural works in progress	7/2005	4,429	4,230	61
Nathan Place situated at Nathan Road	Residential	Superstructure works in progress	6/2006	4,421	6,189	61
Leonie Studio situated at Leonie Hill	Residential	Superstructure works in progress	11/2006	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.
N/A - not applicable

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 18th, 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